EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

IRAN
How history judges the revolution
Page 17

No.30,757 Tuesday January 31 1989 D 8523A

World News

Judge lets Reagan subpoena stand

The judge in the Iran-Contra court case ruled that US President George Bush will not have to testify at the trial of former White House aide Oliver North in the Iran-Contra case. Judge Gerhard Gesell refused to overturn the defence subpoena issued to President Ronald Reagan. Background, Page 18

Shia peace accord

Leaders of Lebanon's Amal and Hezbollah Shia militias signed a peace agreement ending more than a year's fighting. Page 6

Black party leader

The final challenger in the race for the chairmanship of the US Democratic party bowed out, clearing the way for Washington lawyer Ronald Brown to become the first black to lead a US political party.

Kabul siege goes on

The leader of one of Afghanistan's Moslem rebel groups said guerrilla forces would continue their siege tactics after the Soviet troop withdrawal from Kabul, in order to avoid a civilian bloodbath. Chaos deepens, Page 6

'Civil war' fear

Yugoslav Communist Party president Stipe Suvar told the party Central Committee of fears that the country could face a "fratricidal war" if nationalist rivalries were not overcome. Page 18

Homeland hostilities

The South African homeland of Ciskei warned of the imminent outbreak of war with the rival, nominally independent state of Transkei.

Solidarity priest dies

A radical pro-Solidarity priest, Father Stanislaw Suchowolec, was found dead in the north-eastern Polish city of Bialystok, apparently asphyxiated by a fire at his home. He was the second dissident priest to die in Poland in the past 10 days. Reform plans, Page 2

Zaire row goes on

Belgium threatened to call off a proposed ministerial summit with Zaire, unless the African Government ceased widening the breach between the two countries. Page 2

US environment call

US Secretary of State James Baker called for immediate steps to counter an apparent warming in the earth's environment, including a reduction in aerosol spray emissions.

Hungary cuts army

Hungary became the latest Warsaw Pact country to announced arms reductions, with a planned 9 per cent cut in army numbers and other economies in 1989-90. Page 2

Canadian reshuffle

Canadian Prime Minister Brian Mulroney appointed new ministers for energy, defence and the Treasury Board in a cabinet reshuffle. Page 3

'Gas man' held

Italian police arrested the head of a Swiss company wanted in the US for the alleged illegal export to Jordan of a substance used to produce poison gas.

11 die in SA blaze

Eleven workers were killed and nine injured in a fire at a synthetic fuel plant, 100km east of Johannesburg, S Africa.

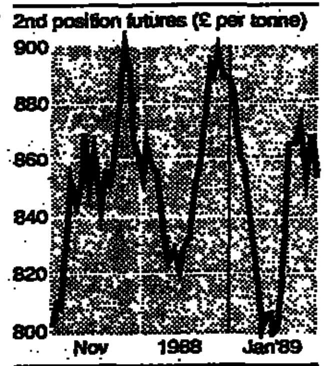
Business Summary

Leading UK accountants open office in Moscow

ERNST & Whinney has become the first Western accountancy firm to set up shop in Moscow since the Bolshevik revolution in 1917. New joint venture with Vneshconsult, a Soviet management consultancy, opened its doors last week. Page 18

COCOA prices drifted lower in London. May contract closed at £853 ($1,501) a tonne, down £16, weakened by profit-taking and lack of physical buying.

Cocoa
2nd position futures (£ per tonne)



Failure of International Cocoa Organisation talks last week had little impact on market, dealers said. Cocoa talks collapse, Page 30

EUROPEAN Commission Capacity use last year reached the highest level since 1974, with output equivalent to 77 per cent of installed capacity. Steel industry employment fell by 5.5 per cent during the year. Page 18

NATIONALE-Nederlanden, biggest Dutch insurance company, is buying Southland Life Insurance for $440m in cash from American Brands, US tobacco and consumer products group. Page 19

MB Group, UK packaging, printing and central heating equipment concern, is going ahead with meeting of warrant holders – called in connection with plans to merge its packaging business with Carnaud of France – despite possibility that Elders Investments will block proposals being put to investors. Page 19

ULTRAMAR, UK oil group, said it was target of possible takeover bid by consortium being put together by Novarco and Unigesco, Canadian-based companies, and Banque Paribas. Page 19

POLAROID, beleaguered US photographic company which has been fighting off $2.8bn takeover bid from Shamrock Partners, announced $1.1bn share repurchase programme and $300m white-knight investment from a New York fund management group. Page 21

TEXACO, third-largest US oil company, saw its stock tumble sharply as disappointed takeover speculators dumped several million of the company's shares on the market. Page 19

SINGER sewing machine's name will pass to Hong Kong businessman under US$220m deal in which SSMC of the US is taken over by Semi-Tech Microelectronics (Far East), computer and trading company. Page 23

ALAN Bond's Australian Bond Corporation said it had no intention of raising its buy-out offer for minority stake in its Hong Kong subsidiary, despite HK$3.6bn (US$462m) rival bid by HKR Properties. Page 23

DOW Chemical, second-ranking US chemicals group, made record quarterly earnings in the three months to December. They rose 80 per cent to $635m. Page 21

West Berlin shocked by right-wing election success

By Leslie Colitt in Berlin

WEST BERLIN was shocked and angered yesterday after the election of an ultra-nationalist party, the Republicans, to the city legislature for the first time since 1945.

A 7.5 per cent protest vote for the Republicans meant that two of their members would also become the first right wing extremists to be represented in the West German *Bundestag (parliament)* since the 1950s.

Chancellor Helmut Kohl said the result was a "clear warning signal for all of us." Speaking in Bonn after a meeting of his Christian Democratic party, he warned that West Germany's international reputation would suffer.

Young demonstrators carrying signs recalling Adolf Hitler's takeover in Berlin on January 30 1933, protested in the centre of the city against the far-right party.

The badly mauled Christian Democrats (CDU) – still technically West Berlin's largest party – was left asking itself what went wrong. The CDU's *landslide loss of nearly 9 per* cent in Sunday's election accounted for most of the votes gained by the Republicans.

A bitter debate erupted in the CDU on the causes of the debacle. The Party's right wing Bavarian affiliate, the CSU, and its supporters in Berlin blamed the liberal reception accorded to Third World asylum-seekers.

But Mr Heiner Geissler, the CDU's Secretary General, replied that "xenophobia" could not be the answer to the Republicans. "A country which lives from foreign trade," Mr Geissler warned, "cannot become hostile to foreigners."

Mr Geissler urged a "grand coalition" between the CDU in Berlin and the Social Democrats (SPD) who made a gain of 4.9 per cent. The SPD, with 37.33 per cent of the ballots, was nearly level with the CDU which had fallen to 37.75 per cent.

It was now up to the bruised Christian Democrats to forge a coalition with the SPD, although Mr Eberhard Diepgen, the CDU Governing Mayor, said he was not "glued" to his post. His previous coalition partner, the liberal Free Democrats (FDP), was ignominiously wiped out of the legislature by failing to surmount the 5 per cent vote hurdle.

The SPD stood to gain nothing in such a coalition while the only real alternative, a coalition with West Berlin's Alternative List (AL) – the city's Greens party – was ruled out by Mr Walter Momper, the SDP leader, who noted after the election the AL was not "capable" of governing.

Security guards surround Franz Schönhuber, leader of the right-wing Republican Party, in West Berlin yesterday

Kuwait will retain investment policy despite furore over BP

By Victor Mallet in Kuwait

KUWAIT will not be deterred by the recent uproar over its purchase of a large stake in British Petroleum from taking similar investment opportunities in the future, according to Sheikh Ali Khalifa al-Sabah, the Oil Minister and board member of the Kuwait Investment Authority.

"We will break the rules that are not published. We will... act completely above board," said Sheikh Ali. "The only rules we know are the rules that are published and passed by the appropriate authorities."

"BP [was] a special situation because of the flotation and if a chance of a repetition occurs we will do it, unless there is specifically a law to prevent us from doing it," Sheikh Ali said in an interview with the Financial Times.

He said Kuwait did not seek political controversy but would not try to avoid it if a good investment opportunity arose. As for BP, Kuwait would not have let its stake go without a profit for the Kuwait Investment Office (KIO).

Kuwaiti officials had been outraged by the British order last year that Kuwait cut its holding in BP to 9.9 per cent from 21.7 per cent, although they were mollified by a subsequent buyback arrangement which will leave Kuwait with a handsome profit and cost BP £2.4bn ($4bn).

The Kuwait Investment Office in London – officially an arm of the Kuwait Investment Authority – mopped up the BP shares when the British Government decided to go ahead with the sale of its 31.5 per cent stake in BP despite the 1987 stock market crash.

Kuwait maintains that it bought the BP shares as an investment. But there were fears in Britain that Kuwait – a major oil producer and Opec – might use the stake to influence the world oil market. Britain discreetly warned Kuwait of its concern about the purchases of BP shares.

The KIO is thought to manage much of Kuwait's $100bn of investment reserves. Its recent purchases in Spain and the BP affair have aroused nationalistic feelings in Europe and some Kuwaitis are worried that Sheikh Ali's forthright approach will cause political damage and eventually limit Kuwait's freedom to invest to the best advantage. In Britain the KIO has the status of a sovereign body Its UK investments are exempt from tax.

Sheikh Ali is also chairman of the Kuwait Petroleum Corporation. He reaffirmed that Kuwait would continue to strengthen its international downstream oil marketing interests, already known to consumers in Europe through the Q8 brand.

He said the group would try to consolidate in Europe, expanding in some markets and perhaps quitting others if there was no chance of building up a viable market share. "One way or another we will be going to the Far East," he said. "It's more difficult to break into that market but we will do it. If we consolidate in Europe and establish in the Far East we might even consider the US, but that is a bit too far ahead."

Looking at the oil market as a whole, Sheikh Ali said consumption had been rising faster than predicted in recent years, while low investment meant that Opec had less surplus production capacity than often supposed, even if capacity was now being increased.

He said he expected oil prices to rise to about $18 a barrel this year or next and remain at that level for three or four years.

Gorbachev will visit UK and West Germany

By Robert Mauthner, Diplomatic Correspondent, in London and David Marsh in Bonn

MR Mikhail Gorbachev, the Soviet leader, will resume his search for international support of his domestic political and economic reforms and global disarmament proposals by undertaking separate trips to West Germany and Britain over the next few months.

Announcements were made about Mr Gorbachev's diplomatic drive in Bonn and London yesterday, following a prolonged period in which he was preoccupied with domestic concerns such as the Armenian earthquake and the implementation of his reforms.

The Soviet leader's first visit will be to Britain for wide-ranging talks on the international situation and bilateral relations with Mrs Margaret Thatcher, the Prime Minister.

Mr Gorbachev has always appeared to consider Mrs Thatcher as an important intermediary in his dialogue with the US, because of her close personal relationship with President Ronald Reagan. The Soviet leader will, no doubt, be interested to find out whether Mrs Thatcher can establish a similar rapport with Mr George Bush, the new US President.

The British talks will be held during a three-day official visit which the Soviet leader, accompanied by his wife Raisa, is due to pay to from April 5 to 7. It was originally scheduled for last December, after Mr Gorbachev's talks with former President Ronald Reagan in New York, but was postponed because of the Armenian earthquake.

Though often in disagreement, the two leaders have struck up a warm, if prickly, personal relationship, appearing to revel in each other's outspoken manner. It was Mrs Thatcher who remarked that she could "do business" with Mr Gorbachev, the first of the Western leaders to express such a favourable opinion of someone who, subsequently, has constantly taken the world by surprise with his bold initiatives.

Arms control is expected to be high on the agenda of the London talks, which will take place only one month after the opening of the new conventional force reduction talks in Vienna. Mrs Thatcher is also expected to urge the Soviet leader to incorporate the human rights principles adopted by the 35-nation Conference on Security and Co-operation in Europe (CSCE) in Vienna earlier this month in the Soviet legal system as quickly as possible.

Mr Gorbachev is also expected to meet business leaders in the City of London and members of the Opposition Labour Party.

Announcing the date of Mr Gorbachev's long-awaited trip to West Germany, Mr Friedhelm Ost, the Bonn government spokesman, said the Soviet leader would be coming to "consolidate" the state of good neighbourly relations.

Mr Gorbachev, who will be returning the visit made by Chancellor Helmut Kohl to Moscow

Scholz on nuclear update, balance of forces, Page 2
Continued on Page 18

London sustains equities rally

By Simon Holberton and Ralph Atkins in London

SHARE PRICES climbed further on the London stock market yesterday as the most powerful rally since before the October 1987 crash continued into its third week.

Analysts agreed that the market had reached a new trading level, well above those of last year when it was mostly in the doldrums. By the end of trading, however, there were signs that the surge was losing steam.

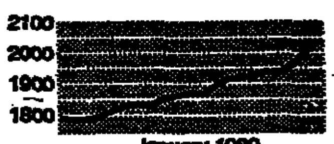
At the close in London, the *FT-SE 100 Share Index* was 37 points up at 2,042.9, having been 68.8 higher earlier in the day. The FT Ordinary Share Index was 27.5 up at 1,666.4.

These main market barometers fell from their day's highs after trading on Wall Street began. US investors moved to realise profits after last week's strong rise in share prices. The Dow Jones Industrial Average closed just 1.25 higher at 2,324.11.

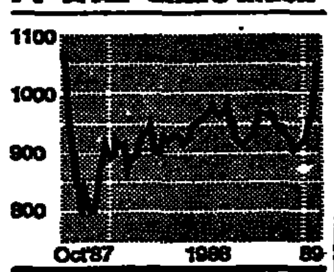
There were mixed performances in other international equity markets. Japanese shares lost ground amid concern about the dollar's strength against the yen, and the Nikkei average closed 111.57 lower at 31,567.50. Hong Kong, on the other hand, continued its upward surge, with the Hang Seng index breaching 3,000 for the first time since before the 1987 crash to close up 79.50 at 3,026.45 in very heavy turnover.

Continental bourses appeared neglected as most of the action focused on London and Wall Street. There was heavy selling in selected London Stock Exchange, Page 31; World Stock Markets, Page 42
Continued on Page 18

FTSE 100 Index



FT-A All-Share Index



GT Management expected to link with Liechtenstein bank

By Nikki Tait in London

GT MANAGEMENT, the UK fund management group which has long been the subject of takeover speculation, yesterday moved back into the bid spotlight, with Bank in Liechtenstein, the bank controlled by the Liechtenstein royal family, the favourite rumoured suitor.

GT shares were suspended at 178p when the stock market opened, pending an announcement. Early in the day, GT appeared hopeful that details could be released by late afternoon, but lawyers were still drafting final documents in the evening. A statement is expected today.

Last night, strong speculation suggested that a link-up with Bank in Liechtenstein is in view. Although some analysts were mooting the possibility of a strategic stake being taken in return for certain funds under management being passed to GT, the scheme seemed more likely to involve a full offer.

At yesterday's suspension price, GT is capitalised at just over £88m ($151m).

The full impact of the depressed stockmarket levels became evident in GT's interim figures, for the six months to end-September, which were released in November. Pre-tax profits dropped to just £2.7m, compared with £8.5m in the same period a year earlier. Analysts predict about £5.5m for the full year compared with £13.7m in 1987-88.

GT, which takes its name from its two founders, Mr Tom Griffin and Mr Richard Thornton, came to the stockmarket in 1986 with a price tag of £101.5m. At end-September, its funds under management were around £3.2bn – putting it into the "medium-sized" league of UK fund management groups. Aside from the industry-wide problems, GT has also seen a number of senior management changes recently.

The Bank in Liechtenstein, the parent company of the BIL group, is one of the Principality's three banks and is controlled by the Prince of Liechtenstein Foundation.

Last year its consolidated assets rose to SwFr8.4bn ($4bn) with net profits up 3.1 per cent to SwFr61.4m. While commission earnings were rather below 1987 levels, the bank recorded a 7.8 per cent rise in interest income and an advance of 34 per cent in securities earnings.

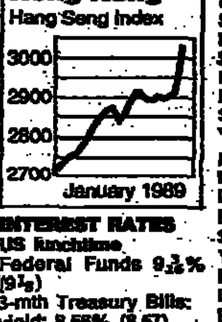
The board is to propose payment of an unchanged 12 per cent dividend, after which capital resources will total SwFr590.5m.

The BIL is already present in London with its subsidiary Bank in Liechtenstein (UK). Apart from its Vaduz headquarters, it also has operations in Switzerland, West Germany, the US, the Cayman Islands and Hong Kong.

Lex, Page 18

MARKETS

Hong Kong
Hang Seng Index



STERLING
New York close
$1.7625 (1.76)
London:
$1.7625 (1.7590)
DM3.2750 (same)
FFr11.14 (11.1425)
SFr2.7625 (2.76)
Y228.0 (227.25)

DOLLAR
New York close
DM1.85975 (1.865)
FFr6.3240 (6.3395)
SFr1.56975 (1.567)
Y129.325 (129.4)
London:
DM1.8585 (1.8625)
FFr6.32 (6.3350)
SFr1.5790 (1.5685)
Y129.30 (129.15)

INTEREST RATES
US Lunchtime
Federal Funds 9⅛%
3-mth Treasury Bills: yield: 8.56% (8.57)
Long Bond: 102⅝
yield: 8.79% (8.78)
London
3-month interbank: close 12⅞% (13)

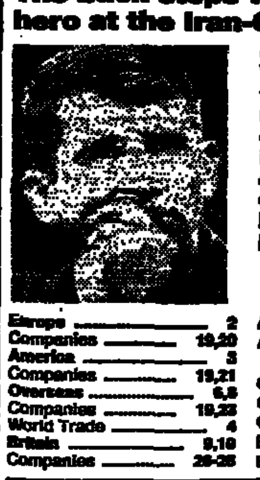
STOCK INDICES
New York close
Dow Jones Ind. Av. 2,324.11 (+1.25)
S&P Comp 294.98 (+1.16)
London:
FT-SE 100 2,042.9 (+37.0)
World: 144.13 (Fri)
Tokyo
Nikkei Ave 31,567.50 (-111.57)
Frankfurt
Commerzbank 1,677.6 (-8.6)

OIL
Brent 15-day (Argus) $16.75 (-0.425) (Feb)
West Tex Crude $17.575 (-0.20) (March)

GOLD
New York latest Comex April $399.2 (400.2)

CONTENTS

The buck stops with Reagan's hero at the Iran-Contra trial



Oliver North (left), the White House aide at the centre of the Iran-Contra scandal, goes on trial today in Washington. Lionel Barber explains why the proceedings will probably be an anticlimax
Page 18

EUROPEAN NEWS

Gibraltar garrison may be cut by 650

By David White, Defence Correspondent, in London

THE UK's troop reduction in Gibraltar will probably involve about 650 infantry personnel, leaving between 1,000 and 1,200 British servicemen in the colony from early 1991 onwards.

Mr George Younger, the British Defence Secretary, confirmed the planned withdrawal in a House of Commons reply yesterday. He said the plan would involve "in due course all or a major part of the infantry battalion" stationed in the British colony but gave no details, emphasising that the plan was subject to the outcome of detailed studies.

The proposals are due to be discussed with the Gibraltar Government, which will seek compensation for the loss of business from the servicemen and their families. This is estimated by officials at between £10m ($17.6m) and £15m per year.

Land and buildings currently used by the army and released as a result of the withdrawal are to pass under the control of the Gibraltar authorities and will not be directly privatised, officials said. This policy appears to be aimed at placating Gibraltar public opinion, worried at the prospect of purchases by Spanish citizens and gradual economic absorption of the colony. The Ministry of Defence owns about half the land in Gibraltar.

The 3rd Battalion The Royal Green Jackets is due to take over in Gibraltar this spring from the Royal Anglians, and is unlikely to replaced when it completes its two-year tour.

Officials said it would be "convenient" for the army to redeploy a whole battalion. The figure of about 650 is equivalent to the basic "establishment" of a battalion, but a Gibraltar battalion, including additional personnel such as bandsmen, usually numbers about 750.

Some army units would be maintained on the colony as well as the Royal Navy and Royal Marines - about 600 in total - and the Royal Air Force, which has about 400 personnel. The total British military presence now stands at about 1,800, including some 780 army personnel.

Officials indicated that symbols of the British presence, such as the changing of the guard ceremony, would be maintained.

They said the decision to withdraw troops had been made on purely military grounds, since the army battalion did not appear to be playing a worthwhile role and could be used more effectively elsewhere.

The Ministry of Defence spends £30m a year on maintaining forces in Gibraltar.

Nato reckons East bloc figures just don't add up

By David White, Defence Correspondent

NATO OFFICIALS who two months ago challenged the Soviet Union and its allies to lay their cards on the table were yesterday poring over the extensive figures released by the Warsaw Pact's committee of defence ministers - discovering without surprise that the two sides play with different decks.

The Warsaw Pact's version of the balance of forces in Europe differs from Nato's not only in its statistics for manpower and equipment and in its overall conclusion, but also in its definition of categories and its emphasis.

As expected it makes considerable play of Nato superiority at sea. Nato's document on force comparisons in Europe, published in November, omitted naval forces on the grounds that specific numbers of ships could not be associated with one region because of their mobility. Navies in any case fall outside the scope of the forthcoming Conventional Stability Talks between the two alliances, for which the present numbers game is basically intended.

The Pact figures underline what is claimed to be a five-to-one Nato superiority in large surface ships, including 15 aircraft carriers against two. Nato is also claimed to have three and half times more landing vessels, and naval personnel totalling 685,000, double the East bloc alliance's 338,000.

However, in submarines, excluding strategic missile systems, the figures show a slight advantage over Nato at 228 against 200, with 80 nuclear-powered units against Nato's 76.

The figures also place emphasis on the difference between offensive and defensive aircraft, a distinction which Nato rejects because of the flexibility of modern fighters. According to the Warsaw Pact it has 1,829 interceptor fighters that are not capable of attacking ground targets - 36 times as many as Nato. By contrast it claims the Western alliance has one and a half times as many ground-attack fighters and bombers, at 4,075, and more than twice as many aircraft attached to naval forces.

Navy units are also included in the Pact's figures for combat helicopters, giving Nato a total of 5,270 against 2,285, a superiority of nearly two to one.

The figures are based on levels of last July and do not therefore take account of recently announced cuts in Soviet and allied forces, particularly in East Germany.

They accept that the Warsaw Pact dominates in heavy land weaponry such as tanks, armoured vehicles and artillery. It puts its total of tanks in Europe at 59,470, which would appear to include tanks in storage. This compares with a Nato total, according to the Pact figures, of 30,690, and Nato's own figure, including tanks in storage, of 22,200.

When added together, the Pact's separately-listed figures for different categories of land forces show a superiority of 2.81m against 2.49m, although less than claimed by Nato: 3.09m against 2.21m. This includes air defence troops, civil defence troops, support units and command staff.

The Western countries are shown as having rather more air force personnel at 482,300 against 425,100.

Total regular forces in Europe are put at 3.57m for the Warsaw Pact, almost level with the 3.66m total which the Pact gives for Nato.

Nato used its document to show up disparities that it claimed "give the East a capability for surprise attack and large-scale offensive action." While the Warsaw Pact, responding to Nato's call for matching data, accepts some of the disparities, its overall conclusion of "virtual parity," which gives neither side the possibility of achieving a decisive military advantage" could hardly be more different.

Hard-hitting Joxe socks Paris bourse opposition

By George Graham in Paris

MR PIERRE BEREGOVOY'S socks usually remain hidden decently under the table, but they have moved into the French political spotlight, on the eve of the publication of an investigation into possible insider trading linked to the purchase by Pechiney, the state-owned aluminium group, of the US packaging company American National Can (ANC).

The Commission des Operations de Bourse, the French stock exchange regulator, is due to report today, and in preparation the Socialist Government has gone on to the offensive, hitting back at jibes from the right-wing opposition that France had "the most corrupt left wing in the world."

Leading the counter-attack over the weekend was Mr Pierre Joxe, the Interior Minister, who pointed to Mr Bérégovoy's socks, which failed to reach Parisian standards of *haute couture*, as evidence that the Finance Minister, at least, had not used insider information to enrich himself.

The investigation has become intensely political because of claims that insider information came from one of the government ministries which became involved in negotiations with ANC's parent, Triangle Industries.

Mr Jean Gandois, Pechiney's chairman, says he believes the leak came from France.

The purchase is, however, to be examined by the European Commission, which has asked for more information to enable it to determine whether the merger of ANC with Pechiney's existing packaging operations would give it a dominant market position, and also on the pricing of electricity supplies to its new aluminium plant at Dunkerque.

Mr Bérégovoy, meanwhile, has been offered a selection of new socks by a French manufacturer, in "rather fashionable" colours in order to "spice up the tone of his ties and suits."

Computer mishaps cost French FFr8bn

By Paul Abrahams

COMPUTER accidents and fraud are estimated to have cost French companies at least FFr7.9bn (£711m) in 1987. That is the conclusion of a report to be issued next month by the Fédération Française des Sociétés des Assurances.

But the authors warn that the actual figure is much higher because companies are continuing to fail to report many incidents.

The report says that 49 per cent of official losses were caused by deliberate acts such as computer viruses, fraud and software sabotage - an increase of 25 per cent over the previous year.

This growth in malevolent acts was partly a result of an increase in reporting, explains Mr Jacques Tourly, computer service manager at Apsaird, the division of the FFSA which produced the report.

He says legislation obliging companies to report losses boosted the figures artificially.

However, Mr Tourly argues that an increasing use of networks has played a significant role in a real growth in computer fraud. Companies are not allocating sufficient resources to security issues thrown up by new technology, he says.

Not all of the measures needed were necessarily high-tech - basic corporate security could alleviate the problem.

There are no similar studies elsewhere in Europe. However, a survey by Coopers & Lybrand, the London-based consultants, commissioned by the European Commission, suggests that the use of information technology and the sophistication of computer security is broadly similar throughout Europe.

Coopers & Lybrand estimates that business losses in the UK from computer failures and deliberate action against information systems could reach £1bn this year.

"The information technology market is growing between 15 and 25 per cent a year in the UK," says Mr Marco Kapp, director of the security practice at Coopers & Lybrand.

"There is no doubt that we will see the rate of increase of computer security losses outpace that growth."

Mr Kapp says the UK insurance industry is only just beginning to wake up to the implications of the increasing dependence of organisations on computers.

BELGIUM-ZAIRE RIFT

Martens warns on Zaire talks

By David Buchan in Brussels

BELGIUM yesterday threatened to call off its proposed ministerial summit with Zaire unless the African Government ceased widening the growing breach between the two countries.

Prime Minister Wilfried Martens said: "We insist on a truce" to carry through his Government's plan for a bilateral summit to try to heal the three-month Belgo-Zairean diplomatic squabble.

He was reacting to a weekend announcement in the Zairean capital, Kinshasa, that state companies were withdrawing their local deposits from Belgian banks and that a month-long campaign would start next week to publicise "the exploitation and pillage" of Belgian colonialism before Zaire's independence in 1960.

After convening yet another cabinet meeting purely on relations with Zaire, Mr Martens told a press conference he had hoped last week's visit to Kinshasa by his Foreign Minister, Mr Leo Tindemans would have *improved the climate*.

Instead, Mr Tindemans found himself wrong-footed - declaring his optimism on arrival back in Brussels - only hours before Zaire's latest moves.

The Belgian premier said if the planned Thursday meeting between the chiefs of the two countries' national airlines, Sabena and Air Zaire, was successful, this could be "an element" in the improved climate necessary for a conference at which the Brussels and Kinshasa governments could thrash out their differences. In one of many recent pinpricks at Belgium, Zaire has cut back the number of Sabena flights to Kinshasa from four a week to two.

Matters may get worse, however, with Belgium's French-speaking television network due to screen an American documentary tomorrow on President Mobutu's personal wealth. The Zairean leader's personal pique at Belgian press criticism seems to be one of the roots of the whole diplomatic dispute.

In deference to such sensibil*ities, Belgian TV had deferred* screening the US film a month ago.

Yesterday Mr Martens issued a statement affirming the independence of the Belgian media, saying the Government could neither pressure it nor be bound by any of its pronouncements.

Mr Pierre Bauchau, vice president of Banque Belgolaise, said his bank would be "severely hit" by the loss of Zairean deposits from its Kinshasa subsidiary.

Accompanied by Vicomte Etienne Davignon, vice president of Société Générale de Belgique (SGB), which is indirectly the major shareholder in Belgolaise, Mr Bauchau saw Mr Mobutu last Friday, but apparently to no avail. The other Belgian bank to lose Zairean deposits is a subsidiary of Banque Bruxelles Lambert.

Mr Martens said yesterday he still believed that his debt relief proposal, including forgiveness of BFr1bn ($26m), or one fifth of Zaire's state-to-state debt to Belgium, and rescheduling of its much larger *commercial debt*, was "the basis for agreement" with Kinshasa.

Cyprus settlement terms outlined

By Andreas Hadjipapas in Nicosia

PRESIDENT George Vassiliou yesterday presented to the Turkish side a document outlining the Greek Cypriot position for a Cyprus settlement, and diplomatic circles said it marked a step forward in the search for a negotiated solution to end the 14-year division of the Mediterranean island.

The President said that the document covered all key aspects of the problem. He expressed the hope that he and the Turkish Cypriot leader, Mr Rauf Denktash, would now start "substantive discussions" with a view to reaching an agreed solution by June 1 this year.

He also said the proposals showed "the eagerness and sincerity" of the Greek Cypriot side to attain an overall solution.

Informed sources said the proposals called for the establishment of an independent non-aligned federal republic with two constituent provinces.

The draft also calls for the demilitarisation of Cyprus, in contrast to the Turkish proposals tabled earlier, which insist on the continued presence of Turkish troops in the north of the island, which has been under Turkish control since 1974.

The sources said the Greek Cypriot proposals, while insisting on the unity of the country, seek to ensure the equality of the two constituent provinces, something which should go a long way towards meeting the Turkish Cypriot demand for equality.

United Nations' sources said the exchange of papers marked some progress in the five-month-old intercommunal talks and intensive discussion would start next Monday.

Scholz ducks issue of nuclear update

By David White, Defence Correspondent

MR RUPERT SCHOLZ, the West German Defence Minister, yesterday evaded the issue of his government's support for modernising Nato short-range nuclear weapons, following pressure from Mr John Tower, the US Defence Secretary designate, for it to make an early commitment.

However, Mr George Younger, the UK Defence Secretary, said after talks with Mr Scholz he was confident that a decision could be reached during the first half of this year.

At a news conference, Mr Scholz said modernisation had to be decided within the context of Nato's so-called comprehensive concept for arms control, which he hoped would be approved at a forthcoming alliance summit in London. The West German position had not yet been defined in detail.

The two ministers meanwhile agreed to study ways of reducing the impact of low-flying military training on the civilian population in West Germany. Mr Scholz said he hoped for a package of measures to reduce the amount of Nato low-flying and spread it over more areas. But he emphasised that such training was an essential military requirement.

"Anyone who says it can be done away with altogether is grossly mistaken."

Mr Younger said Britain was prepared to look into ways of conducting minimum training with less disturbance to the public, but warned that this might not mean a substantial reduction in operations.

He emphasised that there were slightly more low flights in the UK than in West Germany, including by the US air force.

The two countries also agreed to step up their military links, with West German army units due to come to the UK for training from this year, and with other training exchanges.

UK envoy in Romania scuffle

By James Blitz

ROMANIA'S ambassador in London was summoned to the Foreign Office yesterday to explain why his British opposite number was manhandled by Romanian police.

Mr William Waldegrave, the Foreign Office Minister, demanded an apology from the Romanian envoy, Mr Stan Soare, for the incident in Cluj, in Transylvania, on Friday, when Mr Hugh Arbuthnot, the British ambassador, tried to deliver a letter to the country's most prominent dissident, Mrs Doina Cornea.

According to the Foreign Office, Mr Arbuthnot was stopped at the garden gate of Mrs Cornea's house by Romanian militia men, who "pushed and manhandled" him. The ambassador was told he could not proceed into the house.

Mrs Cornea, a historian, has been under house arrest in Cluj since last autumn, after she wrote a letter to the Western press protesting at President Nicolae Ceausescu's policy of "systematising" the Romanian countryside. The policy of razing villages to replace them with "agro-industrial complexes" is thought to have led to the forced evacuation of 40,000 people.

The British Foreign Office asked its ambassador to visit Mrs Cornea as a reflection of the UK's *concern about* Romania's "systematisation" policy and of Mrs Cornea's status as an important dissident.

Mr Soare yesterday told Mr Waldegrave that he would look into the incident, after the latter had demanded an apology. The Foreign Office says it will not regard the matter as closed until it receives one.

The dispute can only worsen the current state of Anglo-Romanian relations. Last year, Sir Geoffrey Howe, the Foreign Secretary, sent a letter to his counterpart in Bucharest, protesting at Romania's record on human rights. Sir Geoffrey repeated his concern in a speech in Vienna earlier this month, after Romania said it would not implement fully the human rights accords agreed at the CSCE meeting.

Hungary plans to cut its army by about 9%

HUNGARY SAID yesterday it would cut the size of its army by around 9 per cent and also reduce its weaponry and military technology in 1989-90, Reuter reports from Budapest.

Mr Miklos Nemeth, the Prime Minister, said this would enable Hungary to contribute to detente and the success of talks beginning in March on reducing armed forces in Europe.

Hungary's statement followed similar announcements from the Soviet Union, East Germany, Poland, Czechoslovakia and Bulgaria.

Mr Nemeth made the announcement in a speech at a board meeting of the Hungarian Chamber of Commerce. MTI said it would publish the 17-page speech later together with details from the Defence Ministry.

Last week, Mr Ferenc Karpati, Hungary's Defence Minister announced that a Soviet tank division and an air force regiment would leave Hungary this year

Sweden urged to seek EC membership soon

By Robert Taylor in Stockholm

SWEDEN ought to declare soon that it intends to seek membership of the European Community, according to a wide-ranging study on the future of the country's economy into the 1990s.

The study was published yesterday by the Centre for Business and Policy Studies in Stockholm. The organisation is important and influential as a broadly-based focus for Swedish business opinion.

The centre's latest publication underlines the growing concern inside industry about Sweden's prospects if it remains outside the EC after the completion of the internal market in 1992.

The study argues: "It is impossible to see how our stated economic goals can be reached in any other way than through membership of the EC."

It believes that the Swedish government should give a clear declaration of intent to seek full membership of the EC from 1993 at the earliest.

The study goes on to declare that Swedish involvement in the EC, along with Norway and Austria, would tip the present EC power balance away from southern Europe and strengthen the northern and central forces in the Community, which would be in the wider interest of Nordic countries.

EC likely to rule on remail complaint soon

By William Dawkins in Brussels

THE European Commission expects to make a preliminary ruling soon into whether eight national post offices have flouted EC competition rules by allegedly trying to stifle competition from the private bulk mail industry.

Brussels has nearly finished gathering evidence from the EC's 12 national post offices plus three more outside the Community, a Commission official said.

Sir Leon Brittan, Competition Commissioner, will next decide whether to send objections under EC rules, to eight administrations who could then defend their case, before a final ruling.

Yesterday's development coincided with the start of a meeting of the European Conference of Postal and Telecommunications Administrations, at which Europe's post offices are expected to discuss plans to refuse to handle all deliveries of privately carried bulk mail, known as remail.

At present, post offices give themselves the right to refuse to handle remail, instead of banning it.

The investigation was triggered by a complaint by the International Express Carriers' Conference (IECC), representing the main express mail companies.

It claims two of the post offices are pressuring other administrations not to handle remail and that European postal administrations have illictly agreed a sharp rise in charges.

Pope accused by 163 theologians

STRONG accusations of authoritarianism have been levelled against Pope John Paul II in a so-called "Charter of Cologne" which has been signed by 163 eminent theologians from West Germany, Holland, Austria and Switzerland, writes John Wyles in Rome.

The Vatican has so far dismissed the Charter as "a local event," but it represents a strong cry of complaint from a city and countries which on more than one occasion in recent years have found the Pope's hand unwelcomely heavy. "If the Pope acts in a way which does not conform with his office, he cannot claim obedience in the name of doctrine, he must expect opposition," says the charter which was drafted by 14 theologians and attracted nearly 150 other signatures, including that of Mr Hans Kung, the Swiss theologian.

Business view of global outlook hedged with 'ifs' and 'maybes'

William Dullforce reports from the annual World Economic Forum currently meeting in Davos, Switzerland

FIVE DAYS of cloudless skies, clean Alpine air, good fellowship and much wining and dining must have physically revitalised the 700 or so businessmen who have been mingling with ministers, top officials and academics at the annual World Economic Forum.

It is less certain that their minds have been clarified — at least as regards the short-term outlook for the world economy.

Discussions this year have *oddly combined both divergence* about what will happen in 1989 with a surprisingly widely voiced confidence that after two decades of relative stagnation the world is nevertheless heading for a period of accelerated, technology-led growth.

On one immediate concern — what will happen to the dollar and other exchange rates this year — the businessmen will have to fall back on their own gut feelings or choose among differing prophets.

Market expectations, it was agreed, are focused on how the Bush Administration will handle the US budget deficit and on what the Group of Seven finance ministers and central bankers (due to meet in Washington on Friday) will decide to do about the persistent trade imbalances between the US, Japan and West Germany.

Mr Raymond Barre, the former French Prime Minister, reporting on two-day, closed-door deliberations among some 60 leading participants, put everything in the conditional.

If the Bush Administration came up with a convincing policy on the budget deficit, the dollar could stabilise at its present level which "everybody" agreed made US exports *competitive*.

If no convincing signal came from Washington, the dollar would fall, unless the Federal Reserve decided to raise interest rates further, in order to maintain the flow of deficit-financing capital into the US.

Such action by the Fed could have the illogical effect of pushing the dollar up, when it needed to be lower, if the US trade deficit was to be reduced, Mr Barre pointed out.

Not everybody, even among his own compatriots, was convinced by an assurance from Mr David Mulford, the US Treasury Under-Secretary, that the Bush team was giving priority to reducing the budget deficit and would reveal its plan "very soon".

Some, considering the political constraints on the Administration, considered that it would be up to the Fed to control economic development in 1989.

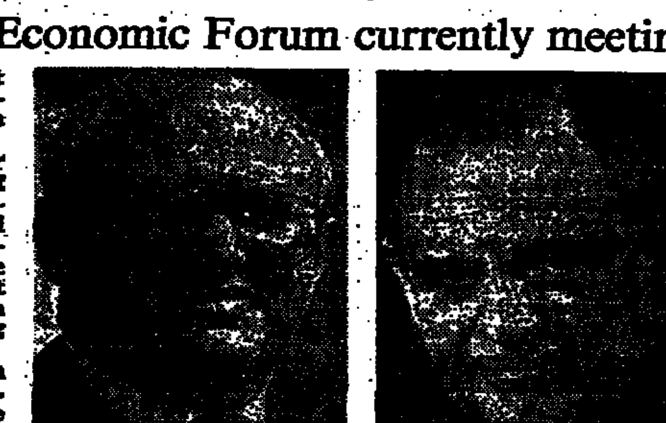
Mr Martin Feldstein, former chairman of the US Council of Economic Advisers under President Ronald Reagan, stirred the pot by affirming that without a renewed decline of the dollar the US trade deficit would never fall below $100bn and would soon be rising towards higher levels.

He expected the US to return to *trade balance by the mid*-1990s. But, to achieve this, the dollar would have to fall by 10-15 per cent in real terms against a weighted average of all other currencies.

In nominal terms it would have to fall even further against the yen, the D-Mark and the currencies of other countries with lower inflation rates than in the US. Within two to three years the dollar would have to be at Y100 and DM1.4, he predicted.

Little was said about new efforts towards removing the trade imbalances from Japan and West Germany whose trade surpluses, businessmen pointed out, are set to grow rather than decline. The focus was sharply on the US budget and trade deficits.

On the second main topic of



Mr Martin Feldstein (left): believes dollar must fall again.
Mr Raymond Barre (right): awaits a signal from Washington.

short-term import, Third World debt, it was evident that the blueprint for a new G7 debt strategy is not yet drawn. The Bush Administration still has to complete its review of debt policy and a Brazilian banker complained that the industrialised powers had not co-ordinated their ideas.

However, Mr Barre reported agreement among creditor states for the first time for many years on the necessity of reducing Third World debt.

Everybody, he said, agreed that the new approach should not result in a waste of money but should create a situation for the resumption of a flow of new money to the debtor countries.

The "judgment of the markets" would determine the volume of new funds provided to each country.

An official from an international lending organisation interpreted this to mean that firmer discipline in introducing economic reforms and reducing the public sectors would be a condition of new money. Countries efficiently implementing new policies would more easily find credit.

There would also have to be some understanding on how capital flight (the illegal export of funds) from debtor countries was to be countered. An essential element would be to achieve realistic interest and exchange rates.

Mr Barre said "special incentives" would be used to encourage banks to participate in debt reduction schemes but he implied that these incentives could vary from one creditor country to another.

Mr Michel Camdessus, managing director of the International Monetary Fund, talked of "improving the regulatory, tax and accounting environment for voluntary, market-based debt reduction."

An international banker pointed out that it was becoming increasingly urgent for the US to be able to demonstrate one or two successes for its case-by-case approach, in the form of countries that have resumed growth and attracted fresh foreign investment, if it were to continue to stave off the growing pressure from Latin America for a "generalised" debt reducing programme.

Looking beyond these still unresolved short-term difficulties, the 60 pundits who took part in the closed-door deliberations, saw the world economy entering a new phase

It would be led by science and technology and would have an ecological element, Mr Barre explained. Human investment would be the most important growth factor. Education would be a life-cycle affair. The division of living between one learning and one working period would disappear.

A key competitive factor would be investment in science and research but increasingly research would become a matter of interaction between people in international networks.

Ecology and environmental considerations had already been divorced from the zero growth concept of the 1970s. The distinction between zero growth or growth at any cost was no longer relevant.

In the 1990s, Mr Barre summed up, businessmen would be thinking in terms of growth that took account of efficient use of energy and dangers such as that posed by the greenhouse effect, (the overheating of the earth's climate through the accumulation of carbon dioxide in the atmosphere).

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FINANCIAL TIMES
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1989.
FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.
Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, DENMARK. Telephone (01) 13 44 41. Fax (01) 935335.

AMERICAN NEWS

White House steps in to back thrifts rescue plan

By Lionel Barber in Washington

MR John Sununu, White House chief of staff, has stepped in to defend a US Treasury rescue plan for the nation's beleaguered savings and loans institutions.

The plan – involving a levy on bank deposits – has turned into an early test of will between the new administration and Congress, where critics have successfully labelled it a new tax.

One official expressed fears yesterday that the row could blunt the impact of Mr Bush's speech to Congress on February 9 in which the President *will present his budget and* political agenda.

At the weekend, Mr Sununu, aware that Congressional opposition was *threatening to* overcome the Treasury in its first domestic political battle, *insisted that the levy remained* an option, "though not necessarily the leading candidate".

Last week, in the face of Republican and Democrat opposition on Capitol Hill, other administration officials distanced themselves from the proposal which involves a 25 to 30 per cent levy on each $100 of deposits in federally insured financial institutions.

Other options include the issue of new bonds backed by the savings and loan industry, though this would add to the clean-up cost since the bonds would have to carry higher interest than regular Treasury bonds. The most painful alternative would be for the Treasury itself to carry out a quick and costly bail-out, an option known as the "direct hit".

The fee on deposits would raise $7bn *to $9bn* as part of a rescue plan for several hundred insolvent thrifts which is *likely to cost between $50bn* and $100bn.

The Treasury is scheduled to present its final options to the White House this week, but the row may provoke a delay. Officials are also trying to put together proposals for re-arranging the regulation of the S&L industry.

Officials acknowledge that the plan has run into difficulty because it has already been described as a tax which is discriminatory (it does not apply to money market funds). It also conflicts with the Administration's professed aim of encouraging domestic savings.

The row has also drawn in Mr Bush who has repeatedly pledged that he will not impose any new taxes while attempting to reduce the $150bn Federal budget deficit.

Senator Lloyd Bentsen, the powerful Texan Democrat who chairs the Senate Finance Committee, *said* that the fee *proposal* was "really very foolish." This echoes Republican opposition.

Bush likely to lower capital gains tax

By Peter Riddell, US Editor in Washington

FAR-REACHING tax changes affecting the treatment of capital gains, oil and gas exploration and child care will be included in President Bush's revised budget, to be presented to Congress on February 9.

The most controversial proposal is likely to be a reduction in capital gains tax from a top rate of 28 per cent (the same as on ordinary income) to 15 per cent. This will probably affect assets held for at least 12 months and may be permitted to cover gains only on sales of corporate stock and the like.

President Bush has argued that cutting capital gains tax will be self-financing and may even produce *additional* revenue. *However, this* claim has been questioned by the Congressional Budget Office which argues that there would be a substantial loss of revenue.

The scheme depends on the *attitude of Congressional Democrat* leaders such as Mr Dan Rostenkowski, chairman of the House Ways and Means Committee, which determines legislation. He has already said that a cut in capital gains tax *would* mainly *benefit* the wealthy and should be balanced by proposals to increase tax on top incomes or other measures.

A possible compromise outlined by Senator Lloyd Bentsen, *chairman of the Senate* Finance Committee, is to have a sliding scale of tax which would decline the longer an asset was held, so as to encourage long-term investment.

Other probable proposals are tax incentives for oil and gas exploration and drilling (likely to appeal to the powerful Texan group among the Democratic leadership in Congress, including Senator Bentsen), *a child* care tax credit for working families and enterprise zones free of tax in run-down areas. Proposals for a permanent research and development credit to replace one due to expire this December are *also* favoured by the Administration and by Congress.

Canadian premier retains key ministers in cabinet reshuffle

By David Owen in Toronto

MR Brian Mulroney, the Canadian Prime Minister, maintained continuity in the upper ranks of his new 38-member cabinet, unveiled yesterday, while ringing the changes among the lesser *lights.*

As expected, Mr Michael Wilson, Finance Minister, and Mr Joe Clark in external affairs retain their portfolios. So does Mr John Crosbie, from Newfoundland, as Minister for *International* Trade.

Elsewhere, there are several changes with four hitherto low-profile ministers – Mr Doug Lewis (justice and House leader), Mr Bernard Valcourt (consumer and corporate *affairs*), *Mr William McKnight* (defence) and Mr Gerry Weiner (secretary of state) – the clear recipients of promotions.

Two ministers, Mr Marcel Masse and Mr Robert de Cotret, revert to previously held positions as communications minister and minister responsible for treasury board, *respectively. Mr Lucien Bouchard*, secretary of state, is shifted to Minister of the Environment.

Of the promotions, perhaps the most intriguing is the appointment of Mr McKnight, a westerner, as Minister of Defence. The former Minister of Indian Affairs can expect to preside over the awarding of a controversial nuclear-propelled submarine design contract to Britain or France.

In his four years in the cabinet, at first in the ministry of labour, Mr McKnight has earned a reputation as an industrious and able minister.

His promotion allows Mr *Perrin Beatty, his immediate* predecessor at defence, to move to the ministry of health. The Ontarian, first elected to the House at 22 and tipped as a future Prime Minister, thus continues his career in major *ministries.*

Manitoba's Mr Jake Epp is moved from the health minis*try, where his day-care* legislation met with a decidedly cool reception, to energy. Meanwhile, Mr John McDermid, who made a name promoting Mr Mulroney's free trade agreement with the US, is shifted *from housing to the ministry of* privatisation.

In all, there will be six new members in the 38-member cabinet, including Vancouver MP Ms Kim Campbell, who retained former international *trade minister Pat Carney's* seat for the Conservatives in a nip and tuck battle with the left-of-centre NDP.

Two of the newcomers hail from Quebec, in deference to the high proportion of MPs from *Canada's only predominantly* French-speaking province among the new Conservative caucus.

The reshuffle comes a little more than two months after Mr Mulroney was re-elected at the head of a second consecutive Conservative majority government.

US puts forward plan for Mexican debt restructuring

By Richard Johns in Mexico City

THE US Treasury has drawn up a plan for the restructuring and relief of Mexico's debt in consultation with leading American creditors.

The working paper sees Mexico as "the test case for a new less-developed country strategy" which the US is developing in the context of the 1985 Baker Plan. The working paper, a copy of which has been obtained by the Financial Times, outlines three specific approaches to Mexican debt and economic policy.

The first option envisages new bank lending of $9bn over a three-year period. It is based on the "Brazilian menu" of new money, debt-for-equity swaps and exit bonds.

The US Treasury says that of Mexico's $74.4bn bank debt $48.2 bn is owed to institutions which are unlikely to sell their loans at a discount. Those banks - mainly US money centre, British and Japanese – would provide the new loans.

The package would reduce the net transfer of resources from Mexico to banks over the three-year period from $20.8bn to $10.3bn and all creditors from $23.3bn to $12.8bn.

It also envisages bonds being issued in exchange for old loans at a fixed tender with a 40 per cent discount. They would be collateralised by 20-year zero-coupon US Treasury bonds purchased by Mexico with interest guaranteed by the World Bank for a rolling three-year period.

Mexico has been looking for such guarantees since the disappointing results of its inno*vative zero-coupon bond* scheme reduced its overall debt by only $1.1 bn a year ago.

Acceptance of the concept of interest securitisation would be a major breakthrough for Mexico and other Latin American debtors.

The second option examined concentrates on interest rate reduction, together with debt-for-bond swaps. It suggests that interest rates on Mexico's commercial term loans be temporarily cut to bring down the country's interest-to-export ratio from the 1988 level of 26.8 per cent to 20 per cent in 1991.

The scheme would bring about the biggest reduction in interest payments of the three presented, *but over the three-*year period would only lower net transfers to banks to $13.9 bn and all lenders to $16.4 bn.

Under the third and most radical option the bank debt would be exchanged for three new Mexican securities.

- Mexican 30-year bonds collateralised by US Treasury zero-coupon bonds purchased by Mexico and with World Bank rolling guarantees on interest.
- Mexican perpetual oil bonds tied to oil prices.
- Mexican 30-year bond warrants, providing holders with the choice of exchanging $2 of previously issued 30-year bonds for $2.50 of new bonds with yields equal to Libor plus two percentage points.

Net transfer of resources to banks would be lowered to $14.3 bn over the three-year period and to all creditors to $16.8 bn.

Initial losses to banks would be larger than under the other two options surveyed. It also faces the problem of imposing the same solution on all banks.

Among the basic assumptions underlying all three scenarios considered are $2bn in loans from the World Bank, *other multilateral agencies and* official lenders, a $15 per barrel oil price and a LIBOR rate of 8.5 per cent.

Ortega's economic plan likely to face opposition

PRESIDENT Daniel Ortega will be counting on little support from Nicaragua's business community as he unveils his government's economic plan for 1989, AP-DJ reports from Managua.

The leftist Sandinista government has desperately sought the *support of capital*ists and workers to brake Nicaragua's rapid slide into economic chaos.

The government alone could not rescue the economy, said Mr Bayardo Arce, a member of *the ruling Sandinista National* Directorate.

"We must establish a harmony of interests, outlining the responsibilities of the Government, private enterprise and workers, so we can face *the country's problems,*" he said in an interview.

President Ortega was to announce yesterday an austerity package that reportedly includes a three-month wage and price freeze to curb inflation. He has acknowledged that inflation reached 20,000 per cent last year.

On December 31, the president announced sweeping bud*get cuts for the Defence Minis*try and security forces. The Government has not said how many jobs will be eliminated as a result.

Opposition leader Mr Enrique Bolanos, a cotton grower *and former president of the* Superior Council of Private Enterprise, said Nicaraguan business leaders would not support the plan because they distrusted the Sandinistas.

The Nicaraguan Government *has fared little better with the* country's labour organisations during recent negotiations.

US backs use of cancer drug

THE US Food and Drug Administration yesterday approved the use of a hormone-blocking drug to help *slow the progress of prostate* cancer and improve the lives of its victims, Reuter reports from Washington.

The drug, flutamide, will be sold by Schering-Plough of Madison, New Jersey, under *the name Eulexin. It is already* available in 34 other countries.

A National Cancer Institute (NCI) study found that patients taking both flutamide and leuprolide - already on the US market – survived an average *of 34.9 months,* nearly 25 per cent longer than those only on leuprolide.

"Flutamide is not a cure, but the NCI study submitted to FDA just this past October has demonstrated how it can be *used to extend the lives of some men,*" Mr Frank Young, FDA chief, said.

Regulators defer AT&T decision

By Roderick Oram in New York

THE Federal Communications Commission yesterday deferred a decision on a new form of regulating long-distance services sought by American Telephone & Telegraph as a way to improve its pricing flexibility and profits.

The regulatory agency said that it postponed voting on the issue until March in order to allow Congress more time to study the switch from a cap on AT&T's earnings to one on its rates.

With Congress growing more concerned that consumers might suffer under the proposed change, observers in Washington and on Wall Street believe the FCC will find it increasingly difficult to push through its plans.

"There's a tense atmosphere which is not conducive to negotiations," an FCC official said.

The political resistance underscored the gulf that has grown between Congressmen and Mr Dennis Patrick since he became FCC chairman two years ago.

Mr Patrick has angered many by weakening rules, for example, on cable television *ownership and content of children's* television programmes, as well as abandoning the Fairness Doctrine that guaranteed a right-to-reply.

AT&T said "we are disappointed and frustrated" by fur*ther postponement* of a decision that has taken two years.

Under a rate cap its prices would be essentially frozen but it could maximise its profits through cost cutting and productivity increases.

FCC *studies* show the new AT&T rules would save users of its long distance services $1.6bn over four years.

But despite FCC changes to the proposals over the past two years, several powerful Congressmen remain unconvinced that long distance service will improve or home users will share equally in the benefits with business users. AT&T's two main rivals, MCI Communications and US Sprint, are *essentially unregulated* because they are much smaller.

WORLD TRADE NEWS

US and EC claim Gatt impasse will be ended 'soon'

By William Dullforce in Davos

OBSTACLES to the resumption of international trade-liberalising talks should be removed in the next couple of months, US and European officials have been assuring businessmen at the World Economic Forum in Davos over the past two days.

It is not yet clear how the impasse over farm reform between the US and the European Community is to be overcome. But officials said preliminary contacts by Mr Arthur Dunkel, Director-General of the General Agreement on Tariffs and Trade (Gatt), had shown each side "ready to move in the right direction."

It might be more difficult to agree on short-term measures on farm trade than on long-term action, one European official suggested, because the Bush Administration could not make short-term commitments until it had come to terms with the US Congress.

The US and EC originally ran into deadlock over Washington's insistence on a long-term commitment by the EC to abolish by an agreed date all subsidies to farm production.

Trade ministers handed Mr Dunkel the job of resolving the crisis, which broke out at the mid-term review of Gatt's Uruguay Round in Montreal in December, when Latin American countries refused to allow the Round to process until the deadlock had been broken.

Officials' optimism has been partly borne out by statements from some ministers at the Forum.

Mr Helmut Haussmann, West German Minister of Economics, said the European Community would have to demonstrate more willingness to compromise.

Bonn has been one of the EC capitals most reluctant to soften the EC's position. But Mr Haussmann stated: "I intend to use all the means at my disposal to ensure progress in this field".

Ministers, officials and even a few businessmen were jolted into voicing faith in the Uruguay Round by a statement on the opening day from Mr Lester Thurow, Professor of Economics at the Massachusetts Institute of Technology.

He said Gatt was dead and the Uruguay Round should be abandoned. This year would be one of incredibly sharp trade disputes and the world was splitting into three regional trading blocs.

Mr Raymond Barre, former French prime minister, reporting on the exchanges of some 60 leading participants said everybody had agreed on the necessity of continuing quickly with the Gatt talks.

Japanese, Brazilians share in Malaysian gas project

JAPANESE and Brazilian contractors and their Malaysian partners have won a Ringgit 325m (£66m) contract to supply pipes for the Malaysian Peninsular Gas Utilisation (PGU) project, Wong Sulong reports from Kuala Lumpur.

The Japanese-Malaysian partnership will supply 88,900 tonnes of pipes to link the natural gas processing plant at Telok Kalong in Trengganu State to Segamat in Johore and southwards to Pasir Gudang port, opposite Singapore.

The Japanese companies are Mitsubishi, C. Itoh, Marubeni, and Sumitomo.

The Brazilian-Malaysian group will supply 58,700 tonnes of pipes from Segamat westwards to Port Klang. The Brazilian companies are Petrobras Comercio Internacional, Interbras, and Confab Industrial.

UK loan for Indonesia under-used

By Peter Montagnon, World Trade Editor

BRITAIN'S first soft loan facility for Indonesia expires today with only £55m used out of a potential £140m in funds intended to boost UK exports.

Drawings have been slow because of the difficulty experienced by exporters in finalising project contracts with the relevant Indonesian anthorities. Eight projects were earmarked for funds under the loan but only five have been signed up.

Drawings would have been lower still but for a deal worth $13.5m (£7.5m) signed last week by Ruston Diesels, a GEC group company, for three diesel electric power stations.

The unused balance of the loan will be added to a new £100m facility signed with Indonesia last year in an effort to retain a British presence in a market that attracts heavy competition from international aid donors.

Unlike the previous facility, the new loan is not tied to any specific projects. This has created a new flexibility which businessmen believe may make it more likely to produce fresh export orders.

Saudi defence offset talks

BRITAIN'S Ministry of Defence is holding a seminar in London today to launch its plan to encourage British companies to offset the value of Saudi arms purchases by investing in joint ventures in Saudi Arabia, Andrew Gowers reports.

The conference was arranged following the signing in November of an accord between Britain and Saudi Arabia which set out procedures for prospective offset investments in the kingdom worth up to £1bn.

The plan was drawn up in response to Saudi demands for economic benefits to compensate for an expected outlay of more than £15bn on a two-part purchase of British aircraft and other military equipment.

Taiwan bicycles spin adversity into profit

Manufacturers have shown an ability to roll with the punches, **Bob King** reports

WHILE MOST of Taiwan's traditional export industries are loudly bemoaning their lot as both the Taiwan dollar and labour costs continue to rise, the island's bicycle industry – the world's largest – is turning adversity into profit.

During 1987, in fact, when the number of bicycles exported dropped from a 17-year high of 9.25m during 1986 to 8.9m, export value nevertheless increased by 25 per cent, from $434m (£241m) to $543m. The reduction continued last year: only 6.3m units were exported, but unit value increased from $61 to $74.5.

The stronger Taiwan dollar, which has increased in value against the US currency by 40 per cent over the past three years, accounted for a large part of the rise in export value. But efforts by the island's cycle makers to produce higher-end goods also contributed strongly.

As a result, Taiwan's bicycle makers have displaced Japan, previously the world's foremost source of quality bicycles, and in the process demonstrated an ability to roll with the economic punches and get up stronger than ever.

"The so-called problems of the industry are actually a healthy development, which we welcome," says Mr George Lin, president of Pacific Cycles and one of the patriarchs of the industry. In fact, the jovial Mr Lin is positively bullish on prospects for the industry – provided manufacturers make the investments in time, energy, and creativity that will keep the industry on its upward curve.

Other leading industry figures echo Mr Lin's comments. The glut of capacity – according to one estimate the island produced 12m bikes last year – had over the past three years led the industry into a familiar competitive cycle, producing mostly lower- and mid-end bikes at mass-retail price points.

Then the crunch came, as the Taiwan dollar began rising and labour costs went through the roof. Manufacturers found that, to stay in business, they had to start producing better bikes that would sell at higher prices – or move offshore to places such as mainland China where labour costs are lower and exchange rates against the US dollar are more favourable.

To their credit, many manufacturers have taken up the quality challenge and are helping ensure that Taiwan remains the by-word for bicycles worldwide. They are, for instance, using computer-aided design and manufacturing (CAD/CAM), better metals and components. They are also changing their approaches to marketing: some are selling a significant percentage of their products direct to dealers around the world under their own brands, rather than relying on importers.

Taiwan's bicycle makers have displaced Japan — previously the world's foremost source of quality bicycles — and in the process have demonstrated they can come up more strongly than ever

Pacific Cycles, for instance, has found that computer-aided design allows an engineer to produce a frame design in as little as 13 seconds, compared with two days before computers were drawn into play. Mr Lin says he carries his portable PC with him when he visits customers abroad, and can produce or modify a design on the spot.

Pacific sells about 150,000 bikes a year for such brands as Fisher Mountain Bikes, Supergo, and Off Road of the US and Scott USA of Switzerland, and also sells to dealers under its own brand in the US, Sweden, Australia, New Zealand, and Japan.

At the other end of the scale is Giant Bicycles, which has offices in the US, the Netherlands, the UK, France, and West Germany, and, with export sales of 1.4m units, probably ranks as the world's top exporter of high-end machines.

Mr Antony Lo, Giant's president, offers several reasons for the industry's continued success. Japan, he says, first led the world when demand for 10-speed city bikes began about two decades ago. "Nobody in the US was making them; Japan was making them; and Taiwan was learning," he says.

Then came the BMX, which the Japanese eschewed, and Taiwan became "the home of the BMX." From that experience, the Taiwanese were able to move naturally on to mountain and all-terrain bikes, which currently dominate demand in the West.

While Taiwan has been moving into dominance worldwide, the Japanese share has fallen dramatically. Pacific's Mr Lin says Japan's bicycle exports have fallen from 1.5m units annually 10 years ago to 150,000 in 1988 – and the Japanese are now buying most of the bicycles they sell worldwide under Japanese brands from Taiwanese suppliers.

As manufacturers in Taiwan move up-market, most of the low-end production has moved offshore, to factories in South Korea and mainland China – neither of which Taiwan views as a threat to its dominance of the industry.

"A bike looks simple, but there's a lot of technology involved," says Mr James Chien, assistant general manager of Fairly Bike Manufacturing, one of Taiwan's "big five." He adds that of the production shifted offshore, South Korea has taken a greater share than China. "Quality is still a consideration, and China is not there yet," he says.

Taiwan's manufacturers, in fact, see little competition developing in the higher-end lines they produce for at least the next three to five years, because the local industry's technology and the necessary component base cannot be duplicated elsewhere overnight.

"The most difficult thing is the concept – (success) depends on the company, on what they're trying to do, and lots of luck," says Giant's Mr Lo.

Brussels drops more dumping inquiries

By William Dawkins in Brussels

TWO EUROPEAN Commission investigations into alleged unfair under-pricing of Japanese ball bearings and Austrian steel tubes were closed without the imposition of duties yesterday, concluding the latest of a series of abortive EC anti-dumping complaints.

They follow Commission decisions over the past two months to drop two more "dumping" investigations into cellular telephones imported from Hong Kong, Japan and Canada and microwave ovens from Japan, South Korea and Singapore, on the grounds that there was insufficient evidence to warrant charging duties.

These moves come after a period when the Commission has faced mounting criticism from industrial consumers and academics that it is applying anti-dumping rules too rigorously.

Only three inquiries were dropped in this way in the whole of 1988, rising from just one in the previous year, the Commission said.

The ball bearings inquiry centred on accusations that the UK plant of Nippon Seiko and the West German factory of Japanese-owned NTN Kugellagerfabrik were being supplied with dumped components.

They were thought to be trying to evade dumping duties on fully assembled bearings imported into the EC by both companies.

Brussels examined the complaint, lodged last April by the Federation of European Bearings Manufacturers' Assocations, but found that the Japanese content of their EC-assembled products was less than 60 per cent. That meant they were well within EC rules against component dumping.

Commission trade experts did find that Austrian steel tubes were being dumped, as claimed by the Liason Committee of the European Steel Tube Industry, but that they were being sold in such small numbers in the EC that they were inflicting little damage on Community tube producers.

Austrian producers were charging 11.2 per cent less in the EC than on their home market, yet their dumped exports only took 1 per cent of the Community market.

Falling demand had also contributed to a general drop in prices, the Commission said.

Jordan and Egypt to boost trade

By Tony Walker in Cairo

JORDAN and Egypt agreed at the weekend to increase two-way trade to $350m (£194m) this year. The agreement followed talks in Cairo between the Prime Ministers of the two countries.

The decision coincides with discussions among four Arab states about the formation of a regional "common market". In this context Egypt, Jordan, Iraq and North Yemen have embarked on a review of possible areas of economic co-operation.

Officials are looking at the possibility of reducing trade barriers and streamlining customs procedures. President Hosni Mubarak of Egypt, after meeting King Hussein in Cairo last week, invited other Arab states to join the proposed economic bloc.

Officials said Egypt and Jordan would found joint companies for investment in tourism, and for production of livestock and fodder. The two countries would co-ordinate production of fertilisers, petrochemicals, electronic equipment, machinery and spare parts.

W German-Soviet trade picks up

By Andrew Fisher in Frankfurt

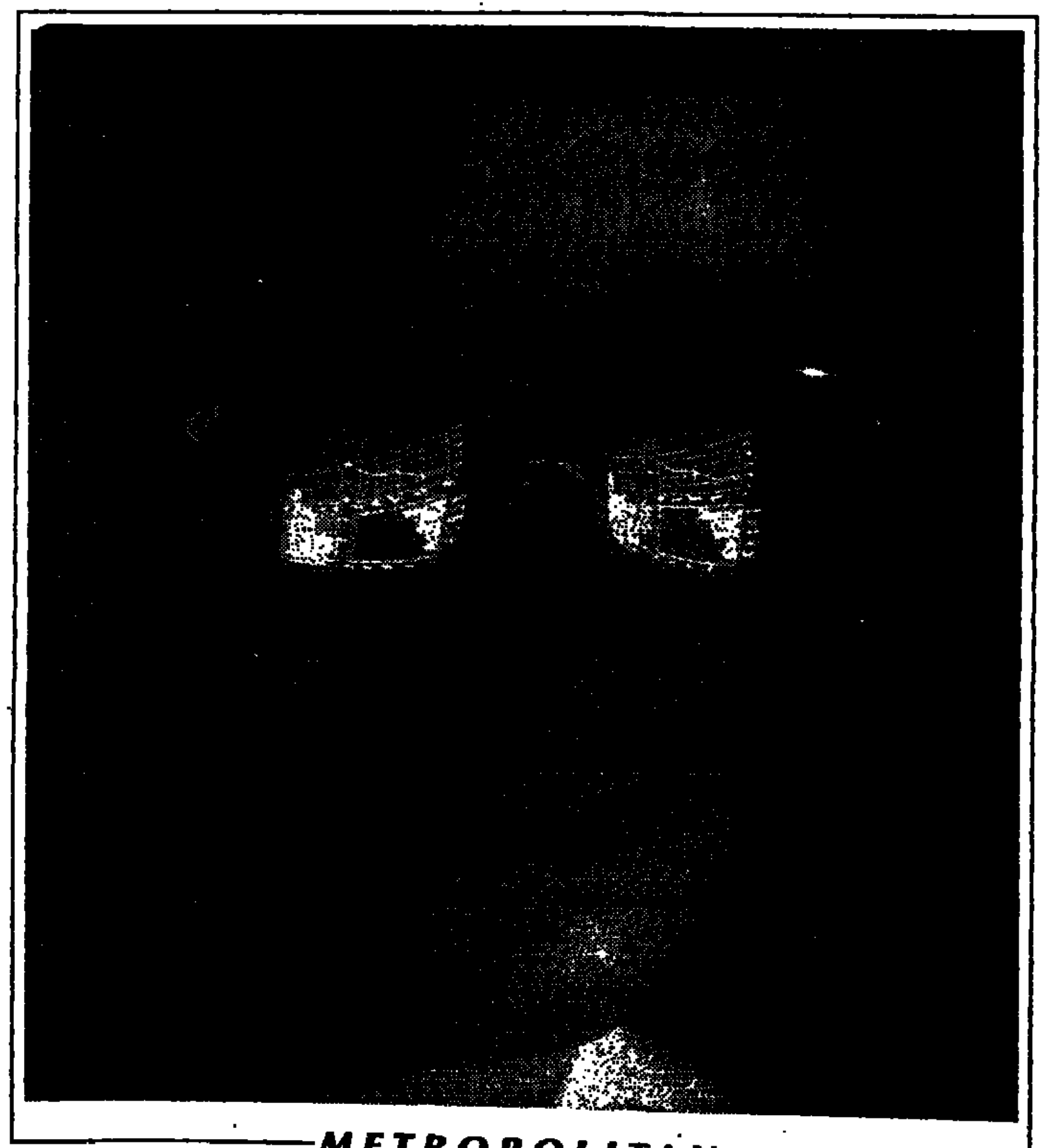
TRADE between West Germany and the Soviet Union picked up in 1988 after falling back sharply in the previous few years because of lower energy prices.

The Bonn Economics Ministry reported a 7 per cent rise to DM14.6bn ($4.5bn) in two-way business in the first 11 months, with higher exports more than offsetting lower imports.

Linde, the West German engineering company, announced a DM100m order from Techmashimport of Moscow to expand an ethylene plant in the Caucasus.

The order comes at a time of growing optimism in the German engineering industry that sales to the Soviet Union will show a further sharp rise this year. The Swiss-owned Liebherr, with a large German operation, hopes to supply equipment for a new DM1bn car engine plant.

The figures showed that German exports to the Soviet Union, its largest Eastern Bloc trading partner, jumped by 20 per cent to DM8.4bn in January-November, while imports (mostly oil and gas) were down by 6 per cent to DM6.2bn.



OVERSEAS NEWS

Rival Lebanese Shia factions sign peace pact

By Jim Muir in Beirut

LEBANON'S rival Shia Moslem militias, Amal and Hizbollah, yesterday ended more than a year of bloody fighting with a comprehensive peace accord as the Arab League launched a diplomatic effort to end the country's 14-year-old political crisis.

The agreement between the pro-Syrian Amal and pro-Iranian Hizbollah militias to end a conflict which has already claimed more than 150 lives this year, was signed in Damascus after a week of intensive negotiations presided over by senior Syrian and Iranian officials. It raised hopes that conditions may become more favourable for the release of the 15 or so westerners still being held hostage by Iranian-inspired radicals in Lebanon.

"Any positive step like this in Lebanon will help gain the release of hostages," said Mr Farouq al-Sharaa, the Syrian Foreign Minister, after the signing. Dr Ali Akbar Velayati, his Iranian counterpart, said: "We hope that all hostages, whatever their nationality, will be released very soon out of humanitarian considerations."

Mr Nabih Berri, the Amal leader, added that the accord did not deal directly with the hostages, but expressed the belief that it would help their early release.

An Irish diplomat, Mr Patrick McCabe, who has been in Beirut since Saturday investigating reports that Irish or British hostages may be about to be freed, said yesterday that he had not learned anything sufficiently concrete to justify raising hopes of an imminent release for Mr Brian Keenan, a Belfast-born teacher, or other hostages, but he did not discount the possibility.

The inter-Shia pact was a carefully-balanced package in which both sides gave and received concessions. Hizbollah recognized Amal's right to control security in south Lebanon, but was itself given the right to resume a role there, including mounting attacks on Israel. Hizbollah lost most of its positions in the south in the first round of fighting with Amal last spring.

Hizbollah also formally agreed in the accord not to harm United Nations forces or the personnel of other international bodies. It was the abduction of Col William Higgins, an American marine officer serving with UN observers in the south, that sparked the first confrontation between Hizbollah and Amal. Several international relief officials have been abducted at various times.

Meanwhile in Tunis, talks got under way at the Arab League headquarters on ways of ending Lebanon's 14 years of strife and disintegration. Taking part in separate meetings with a seven-man committee of Arab foreign ministers were the rival claimants to the Lebanese premiership, Dr Selim al-Hoss and Gen Michel Aoun, and Mr Hussein al-Husseini, the parliamentary Speaker.

The Arab League's initiative is regarded by all the factions in Lebanon as the most serious attempt so far to tackle the crisis which last September left the country for the first time with no president and two rival prime ministers. Since then, parliament has been paralysed, and the army command has also split in two.

Chaos deepens in Kabul as the Afghan winter sets in

By Robin Pauley, Asia Editor

HEAVY snowfalls yesterday added to the crisis in Afghanistan, where guerrilla attacks, the withdrawal of the Soviet army and supply shortages have created political and military chaos.

The snow closed Kabul airport, delaying the departure of Soviet troops and foreign diplomats fleeing a capital where security is deteriorating rapidly as the Soviet occupation nears an end. It also stopped Soviet planes arriving with supplies to relieve the food and fuel shortages.

The Salang Highway, the main route north to the Soviet Union, was closed temporarily as conditions worsened, holding up the road convoys bringing supplies to Kabul and taking Soviet soldiers home.

Deadlock on the future political structure of Afghanistan is resulting in a great deal of diplomatic travel, so far to no effect.

Mr Sahabzada Yaqub Khan, Pakistan's Foreign Minister, is in Riyadh to try to discover what sort of Afghan government would be acceptable to the Saudis, one of the strongest financial supporters of the Afghan Mujahideen resistance. A tiny handful of young Saudis went to Afghanistan to fight along side the Mujahideen against the Soviets.

Mr Yakub met Prince Saud al-Faisal, Saudi Foreign Minister, in Riyadh before flying on to Dhahran to meet King Fhad bin Abdulaziz. This visit precedes a visit to Pakistan on Saturday by Mr Eduard Shevardnadze, the Soviet Foreign Minister, in a further attempt to find a compromise solution on an interim government.

If the Soviets can obtain a face-saving agreement which includes the ruling People's Democratic Party of Afghanistan (PDPA) they are prepared to remove the present Cabinet of President Najibullah. Without such an agreement they will continue to resupply President Najibullah's army and bomb Mujahideen positions from the Soviet Union after the February 15 deadline for withdrawal.

The Mujahideen, sensing victory, have refused to consider any coalition government involving the PDPA. However, the resistance yesterday promised not to storm Kabul and other cities, reducing chances of a civilian bloodbath after the Soviet troop withdrawal.

"We will continue our siege around Kabul so the attack does not lead to the killing of innocents," said Mr Burhanuddin Rabbani, one of the resistance leaders based in Pakistan.

Not all the resistance groups agree, however. Mr Gulbuddin Hekmatyar, the extreme Mujahideen leader whose influence has declined since his mentor, President Zia of Pakistan, was assassinated last August, has often argued for attacks on major cities to complete the Mujahideen victory.

He is currently in Tehran trying to secure agreement with the Iranian-based resistance leaders on the future shape of an Afghan government.

Meanwhile, diplomats continue to pack up their belongings ready to leave once Kabul airport re-opens. The Americans, Japanese, British and French are leaving. The West Germans have already gone. The Iranians, Italians and Turks are staying for the time being, as are a handful of international aid workers.

Mr Richard Murphy, departing assistant US Secretary of State for Near Eastern and South Asian affairs, is pessimistic about the likelihood of the Afghans turning their weapons on each other once the Soviets had gone.

"There are very deep passions aroused against the occupier and they will be turned against those who have been central to the regime," he is reported to have said.

The Stars and Stripes was lowered at the US embassy in Kabul yesterday to indicate the formal closure of the station. "We're going home," said Mr John Glassman, chargé d'affaires. "We are leaving for security reasons. We'll be back as soon as the conflict is over."

In a brief address, Mr Glassman paid tribute to former Ambassador Adolph "Spike" Dubs, who died after being kidnapped in Afghanistan on February 14, 1979. "His mortal remains lie now in the Arlington Cemetery in Washington, his spirit is here with us in Kabul," he told staff standing in the snow around a memorial stone in the embassy grounds.

UK unhappy over HK Basic Law 'breach'

By John Elliott in Hong Kong

THE UK is expected to protest to China that guarantees agreed between the two countries for the autonomy that Hong Kong will enjoy after China regains sovereignty in 1997 have been breached in the latest draft of the Basic Law which will govern the colony.

Both the UK and Hong Kong governments are known to be concerned that the draft attempts to lay down strict guidelines on economic and taxation policy after 1997 which would for example curb increases in public spending. This would breach pledges in the Sino-British joint declaration of 1984 that Hong Kong will continue to enjoy a "high degree of autonomy".

The move comes at a time when the British House of Commons Foreign Affairs committee is about to look into the Government's handling of Hong Kong and the 1997 handover.

There is growing controversy in both Hong Kong and the UK over a general lack of provisions for the development of democracy in the Basic Law's latest draft, especially over delayed elections for the post-1997 chief executive, who will take over from the British governor, and the legislative council.

The move also coincides with a diplomatic row between the UK and China over statements by top Chinese officials who have demanded that the problem of 25,000 Vietnamese refugees in Hong Kong should be solved before 1997.

The British Foreign Office has complained to Peking about statements attributed to Li Hou, secretary general of the Basic Law drafting committee, that all the boat people should be out of Hong Kong by 1997. Despite the protest, the demand was repeated at the end of last week by Xu Jiatun, head of China's Xinhua news agency in Hong Kong and Peking's *de facto* ambassador to the colony.

The changes to the basic law reflect the views of conservative Hong Kong businessmen who recently stiffened their stance on the economic and democracy issues after they had failed to reach compromises with liberal Hong Kong lobbyists.

On economic policy, the businessmen do not want to risk an elected legislature increasing taxation in order to boost social spending and win votes. The first draft of the law said there should be a "basic balance between total budgetary revenues and expenditure" and "continue to practice a low tax policy".

The British Government asked for this to be relegated to an advisory appendix, but this was not done at the last drafting session two weeks ago. Instead the words were changed so that the new government is told to "strive to balance its expenditure and revenues and to avoid deficits".

Tokyo irritated over US fiscal policy gap

By Ian Rodger in Tokyo

AS THE yen touched Y130 to the dollar yesterday in Tokyo, the Japanese authorities began to show their irritation with the current drift of exchange rates and their impatience with the long wait for the new US Administration to set its fiscal policy.

"There is a limit to what can be done with monetary policy," a Bank of Japan official said yesterday in reference to the US Federal Reserve's recent moves to push up interest rates.

Some economists in Tokyo suggest that behind this irritation may be a fear that Japan will have to push up its own interest rates if the dollar rises much further. If that happened, domestic demand growth could fade, causing import growth to decline.

The Japanese authorities are already embarrassed about the resurgence of exports in recent months, which has prevented the country's bloated trade surpluses from falling, and the last thing they want now is a slowing of imports as well.

In the Japanese view, the Fed's tightening of monetary policy has pushed up the dollar in defiance of underlying economic trends, particularly in the last few days when the dollar has risen despite a narrowing of the gap between US and Japanese long-term interest rates. "The expectations of market participants are so important now. It is difficult to explain foreign exchange movements on the basis of fundamentals," the Bank of Japan official said plaintively.

The same was true of inflation expectations, he added. The central bank's view was that there was "no imminent sign" of inflation in Japan, even though the economy probably was growing at a rate faster than its long term potential.

However, market sentiment appeared to be more pessimistic.

The speaker of Japan's Lower House of parliament yesterday admitted he had received political contributions from the Recruit company, which has been at the heart of a share scandal which has rocked the country, Reuter reports from Tokyo. Mr Kenzaburo Hara said that although the contributions, paid between 1983 and 1988 and totalling Y18m (£84,000), were lawful, he returned the money on January 4 after finding out about the company scandal.

Indeed, as one private sector economist in Tokyo explained, the potential for yen weakness translating into inflation in Japan is much stronger than it was last autumn. This is mainly because international oil prices have risen. Some economists suggest the Bank of Japan would be forced to push up interest rates if the dollar rose to Y135 whereas last autumn the central bank stayed calm even as the dollar approached Y140.

The Japanese authorities agree entirely with the intention of the Federal Reserve's policy – to cool US domestic demand and the propensity of the country to suck in Japanese imports – but they regret the side effect of threatening Japanese economic stability.

They would rather that the US use fiscal policy to cool demand, and their new irritation may reflect worries that the Bush Administration may not take tough action on this front.

"I would like to know why the market is still speculating on high interest rates, strong US growth and a tough Bush policy," the Bank of Japan official said. "If those expectations are disappointed, what will happen?"

April futures exchange relaunch planned

By John Elliott

HONG KONG hopes to relaunch its Futures Exchange by April with a new interest rate futures contract which could lift the market out of an unexpectedly long slump following the world stock markets crash of November 1987.

The first step towards this goal was taken on Friday when 10 brokerage firms, including international names such as Baring, Jardine Fleming and Citicorp Scrimgeour Vickers, linked up as broker-lenders with the exchange and its shareholders to announce the restructuring of a HK$2bn (£147m) lifeboat facility which was introduced when the crash brought the exchange to the brink of collapse.

They have set up a permanent HK$200m reserve fund to support the exchange's new clearing house, called the HKFE Clearing Corporation, *which is expected to be operational in the middle of March.*

The next key event is on February 23 when the exchange hopes to win sufficient support from its members at an emergency general meeting for a new constitution. This would clear the way for the government to give official backing for the launch of the planned new three-month interest rate futures contract.

Later there would be other initiatives including contracts linked to leading currencies and options on the local Hang Seng index, which the exchange hopes will bring more international and regional companies into membership.

"Our aim is to create a firmly based exchange with good rules and operating and risk management procedures, and we think it has very considerable promise," Mr Wilfred Newton, chairman of the Futures Exchange since the end of 1987, said yesterday. Mr Newton gives up the post at the end of next month, shortly before leaving his main job as *chairman of Hong Kong's Mass* Transit Railway to go to the UK as chairman of London Regional Transport.

Newton: good rules

Since the crash the futures business has slumped from 600,000 contracts a day to about 45,000, split evenly between soya beans, sugar and the Hang Seng index.

The stock exchange was reformed at the end of last year with a new council and *management, and legislation is* now being processed to set up a new and controversial overall watchdog called the Securities and Futures Commission.

The Futures Exchange has proved more difficult to reform than other institutions, mainly because of vested local interests which oppose change. They include 25 members of the exchange who are involved in legal action over alleged 1987 defaults.

At an emergency general meeting in December the 25, plus other local shareholders who are not active members, blocked the new constitution in a 55-45 per cent vote which was less than the required 75-25 majority. The proposed new rules would gradually disenfranchise defaulters and non-members and would ensure that only active members of the exchange have a shareholders' vote. The exchange's profits would also be ploughed back for development, not paid out to members.

If the 75-25 per cent vote is not achieved on February 23, the government and the exchange will consider whether to use powers in the new Securities and Futures Commission Bill, which could come into force by March or April, to force through the new constitution.

Rabin offers Palestinians a compromise

By Andrew Whitley in Jerusalem

MR YITZHAK RABIN, the Israeli Defence Minister conducting a solo campaign to persuade Palestinians to enter into negotiations, yesterday offered a significant compromise on his recently launched plan for elections in the *occupied territories.*

Speaking to a caucus of Labour parliamentarians, Mr Rabin conceded that it was not necessary for the 14-month-old *intifada* (uprising) to be halted before talks could begin with local Palestinian leaders.

The statement came a day after *Mr Faisal al-Husseini*, generally regarded as a mastermind of the uprising, was released from jail. Mr Husseini has defied objections from the Palestine Liberation Organisation abroad and other local Palestinian leaders and supported elections in the occupied territories – provided no conditions are attached and the PLO sanctions the arrangement.

Serving notice on his colleagues that he does not intend to be deterred by the continuing criticism within Israel of his initiative, Mr Rabin said that free elections could not take place in an atmosphere of violence. But he was prepared to drop his previous precondition for talks, that the violence be halted immediately.

Yesterday was marked by scattered clashes between demonstrators and soldiers in the West Bank and Gaza Strip, along with a largely observed strike by merchants, called for by the Islamic fundamentalist group known as Hamas.

Mugabe warns of hunger threat to Africa

By Our Foreign Staff

PRESIDENT Robert Mugabe of Zimbabwe said yesterday in London that starvation was threatening the survival of Africa and called for the "shame of hunger" to be wiped out this century.

Mr Mugabe, who has led Zimbabwe since independence *nine years ago*, spoke of the continent's burdens, after he had accepted the Africa Prize for Leadership.

The Zimbabwean leader said that the debt of 46 African countries was estimated by the OAU to have increased from $4bn in 1982 to nearly $200bn in 1986, and is estimated to climb to $550bn by the year 2000, if current trends continue.

He claimed that more than 70m Africans suffered from malnutrition, most of them women and children, calling it "a threat to Africa's survival".

"More bold and creative action must be pursued in order to eradicate the shame of hunger this side of the 21st century," he said. "I call on the developed North to join us of Africa and of the South."

Mr Mugabe said his own country was facing serious problems. Zimbabwe, one of black Africa's few food exporters, still desperately needed land for its resettlement programme, a vital part of its rural development, he said. He added that the country's debt service ratio, which reached a peak of 35 per cent in 1987 was expected to fall to 25 per cent by mid-1989.

Unita 'willing to observe Angolan ceasefire'

By Akwe Amosu

A SENIOR official of the Angolan rebel group Unita said in London yesterday that his organisation would be willing to observe a ceasefire in the war it has fought with the MPLA government since independence, if its ceasefire offer were reciprocated.

The US-backed Unita group led by Mr Jonas Savimbi, has been fighting the Government of President Jose Eduardo dos Santos'*socialist* MPLA since it broke away from a transitional government in the months before Angola's independence in 1975.

Gen Antonio de Costa Fernandes, a senior foreign affairs spokesman for Unita, said he had been empowered to offer a ceasefire as a goodwill gesture, now that Cuban forces were being withdrawn from Angola under the tripartite agreement between Angola, Cuba and South Africa signed last December.

But the rebel group's move is unlikely to draw any positive response from Angola, where the offer will be seen as a propaganda attempt to bolster the impression that the rebels can dictate terms.

The Government has repeatedly said it will not hold official talks with Unita. It is willing, instead to receive any Angolan under its clemency policy except Mr Savimbi who is considered a "special case".

Gen Fernandes yesterday ruled out any acceptance or recognition by Unita of the Government's formal amnesty law under which Unita personnel are able to return without penalty.

Unita has made ceasefire offers before but only with pre-conditions attached, relating to the withdrawal of Cuban forces, subsequent talks, and timetables for elections.

If Luanda were willing to cease hostilities, he said, it could issue a statement. "We are willing to reciprocate. . . In 24 hours I would contact my president and he will stop the fighting." If Luanda refused the offer, however, Unita felt able to continue the war, Gen Fernandes said.

Swiss credit for S Africa

By Norma Cohen

A GROUP of Swiss investors has agreed to renew an existing SFr70m (£25m) medium-term note to South Africa, relieving the country of the need to repay the debt immediately.

Union Bank of Switzerland is arranger and paying agent. The old notes were set to mature on January 17. The new notes are for a three-year term and pay interest at 7 per cent, representing a 2 per cent premium over rates on Swiss government securities. The maturing notes paid interest of about 6 per cent.

Switzerland did not joint the other nations which in 1985 stopped lending to South Africa in protest at the country's apartheid policies. The Swiss National Bank has imposed an annual limit on new lending to South Africa of SFr300m, although renewals and rollovers do not count towards that limit.

South Africa has also been faced with shrinking foreign exchange reserves since early 1986, making it difficult to meet foreign debt repayments.

Thailand shines as one of East Asia's brightest economies

Roger Matthews in Bangkok examines a country buoyed by a decade of growth and democratic maturity

THE international discovery, elevation and confirmation of Thailand as one of East Asia's brightest economic prospects has happened in little more than a decade, despite an already impressive performance in the 1960s when gross national product increased on average by 8 per cent a year.

A combination of growing domestic political maturity and the fast-retreating threat of Communist-inspired regional instability has helped reveal to the outside world – and sometimes to the Thais – the diversity of the economy and its potential for development. The publicity it has attracted, although not all of it favourable, has served to reinforce the impression of a dynamic and stable *economic environment*, in sharp contrast to the Philippines – where the democratic achievements have been greater.

Such diverse events as King Bhumibol Adulyadej's sixtieth birthday, celebrated just over a year ago, three victories in international beauty contests, a medal at the Seoul Olympics and a blessing for the textiles industry from Pierre Cardin, have all in their way underlined both the depth of Thai

EAST ASIAN ECONOMIES

THAILAND

nationalism and its pleasure in discovering international approval.

Thailand is certainly now *deemed an economic success* internationally and is further benefitting from the favourable reaction of the increasing flood of foreign tourists, who provide Thailand with its single largest source of foreign revenue. And, unlike several of its regional competitors, the perceived obstacles to growth in Thailand are more the consequences of recent achievements than fundamental flaws in the country's political or economic strucuture.

Thailand has many strengths. It is strongly profit and business oriented. Although the decision-making process is often leaden and over-centralised, correctly routed payments do make the wheels turn, even if not always for the best objective in national terms. But things do happen.

Thailand's population of 54m provides a pool of cheaply available labour and, perhaps more significantly, an increasingly important demand base, which distinguishes it from countries with much smaller numbers such as Taiwan, Malaysia, Singapore and Hong Kong.

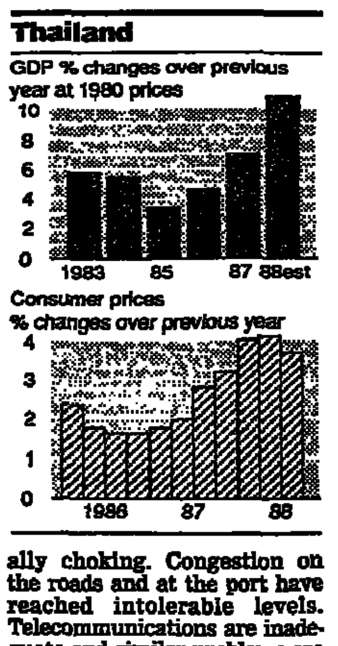
At a time when the threat of protectionism is growing, Thai*land also enjoys substantial* benefits under the generalised system of preferences, an advantage denied increasingly to others, which last year helped to lift its exports to the US by 30 per cent. Even so Thailand is far from being a single destination exporter with Japan last year buying only 5 per cent less than the US.

It is relatively rich in natural resources – offering longer-term possibilities for producing industrial components and expanding quickly beyond the primary assembly stage. And because Thailand is still a strongly agricultural nation it has a greater capacity to sustain moderate levels of growth during downturns in the world economy.

This was particularly apparent during the 1985-86 recession. The Thai economy grew by 3.5 per cent and 4.7 per cent respectively in those two years while more developed and industrialised countries in the region, such as Singapore and Malaysia, were suffering negative or minimal growth. Those countries have bounced back from that trough, but Thailand's economy has remained on a steady upward track achieving growth of just over 7 per cent in 1987 and expectations of close to 10 per cent this year, on a par with Singapore but ahead of Malaysia.

Maintaining this pace is likely to prove impossible for these countries, most critically in Thailand because serious bottlenecks in the infrastucture have been caused by the sharp increase in foreign and domestic investment.

Bangkok, Thailand's only major industrial centre, is literally choking. Congestion on the roads and at the port have reached intolerable levels. Telecommunications are inadequate and similar problems are emerging on the labour front, particularly at technical and middle management levels where supply is lagging increasingly behind demand.



These deficiencies do not seem to be dampening investor enthusiasm. Foreign direct investment this year will probably increase by nearly two thirds with Japan still leading the way, followed by Taiwan, and with strong interest from the US and Europe. South Korea is also beginning for the first time to make its presence felt.

New applications are also extremely buoyant, which are impressive for their diversity and quantity. Another of Thailand's strengths has been that while it has launched an impressive petrochemicals-based industrial zone on the Eastern Seaboard, it has leaped simultaneously into international prominence in less obvious sectors such as gems and jewellery, which are ideally suited for the more traditional Thai company employing less than 100 workers.

Opinion is divided over whether Thailand has now done the hard part and achieved the critical industrial mass which will act as a solid platform for a decade of steady growth, or whether the impact of such rapid economic development will begin to impose excessive strains on the country's other institutions.

The relationship between monarchy, military, politicians and the top flight of civil servants is delicate and often finely balanced.'

Thailand also has to make a string of other structural adjustments familiar to rapidly industrialising societies. There are severe regional variations in income. With some 62 per cent of the labour force still employed in agriculture, greater emphasis will have to be placed on siting industry.

In turn that will require higher levels of Government spending on infrastructure and more efficient and equitable revenue collection. The financial sector is also still extremely narrow and underdeveloped. Loss-making state industries remain a heavy budgetary burden and the will to privatise seems, at least temporarily, to have dissipated.

There is no lack of answers to these problems at the senior levels of the civil service. The greatest uncertainty rests on the will and the skill of the politicians to implement them.

This is the final article in a series of eight examing the performance and prospects of developing East Asian economies. Previous articles appeared on January 4, 6, 11,17,19,24 and 27.

IMF renews talks with Philippines

By Richard Gourlay in Manila

THE International Monetary Fund and the Philippines resumed negotiations yesterday for a new $1.3bn loan package on which a string of crucial talks with commercial banks, official creditors and aid donors depend.

Mr Vicente Jayme, the Philippine Finance Secretary, has called the IMF package a "cornerstone" of the country's continued economic recovery and urged a vocal minority of Congressmen and some government officials not to press for conditions that would hold up agreement.

Talks broke down last November after the IMF questioned some Philippine assumptions of its projected growth rate, its revenue raising ability and government spending targets. Manila refused to change its assumptions.

Some officials not directly involved in the negotiations but responsible for drawing up the Philippine's recovery programme accused the Fund of trying to impose conditions that would jeopardise Manila's efforts to alleviate poverty.

OVERSEAS NEWS

Japan's machine tools keep their edge

Ian Rodger explains why a strong yen has failed to dent growth

ANYONE interested in the reasons for the stubborn resistance of Japan's trade surplus in the past year, in spite of the high yen and government efforts to stimulate imports, would do well to study the country's powerful machine tool industry.

In theory, that sector should be one that would respond quickly to economic policies aimed at reducing the trade surplus. The fiscal stimulus would induce manufacturers to boost their capital spending, which has in fact happened, and the sharp rise in the yen's value would drive cost-conscious corporate treasurers to buy cheaper imported machine tools.

This has not happened. Instead, the fiscal stimulus has turned out to be an enormous boon for the Japanese machine tool industry, making it stronger than ever. The industry's orders in the first 11 months of 1988 soared 44 per cent to Y894.9bn ($7bn), with domestic orders largely responsible. Output has come along behind nicely, rising 28 per cent in the same period to Y798.8bn, again mainly for domestic consumption. Exports rose only 10 per cent to Y282.1bn. Imports grew a hefty 61 per cent, but in real terms remain a tiny 6 per cent, little more than they were in 1985 when the home market peaked at Y691.3bn.

Thus, there is no statistical sign yet of any structural adjustment in Japan's machine tool industry. On the contrary, the resurgence of export orders – up 28 per cent in the first 11 months – suggests the industry has largely overcome any disadvantages caused by the rise in the yen's value.

Some economists suggest the stubborness of the Japanese trade surplus is a temporary phenomenon, caused partly by huge demand for capital goods, including machine tools, in the US and elsewhere. However, the resilience of machine tool exports in the face of the high yen suggests other factors are at work. Exports to the US, for example, were flat in the first half because they are limited by a five year voluntary restraint agreement which has another three years to run.

It is in other markets, where US and West European rivals would be expected to have at least a fair chance, that Japan has made the most headway. Exports to the UK were up 47 per cent in the first half, while those to West Germany were up 4 per cent. In Asia's newly industrialising economies, the Japanese have done even better, doubling exports to Thailand, lifting them 43 per cent to Singapore and 25 per cent to South Korea.

Japanese producers admit that the high yen has hurt their margins on exports, but apparently not too much. "We still make a small profit on exports, but obviously not like in the domestic market," says Mr Kinroku Degawa, chairman of Hitachi Seiki, a leading maker of computer controlled lathes and machining centres.

Meanwhile, they have given no quarter in their huge home market. The Japanese machine tool market is notorious for being more resistant to imports than that of any other industrialised country. West Germany, still the world's largest machine tool producer, imports a third of its consumption. The US and the UK each import about half their consumption, while imports account for about 60 per cent of France's consumption and 32 per cent of Italy's.

Imports in Japan consist mainly of grinding, gear cutting and other specialised machine tools that Japanese makers do not produce. In the broad mainstream of the market – consisting of computer controlled lathes and machining centres – imports remain virtually non-existent. To an extent, this is not surprising.

The Japanese were the first to exploit the commercial potential of computer-controlled machine tools in the late 1970s, developing low cost, high volume production which Western makers have never matched.

However, Japanese industry officials also blame foreign producers for not trying hard enough in Japan. They say foreign companies should set up direct marketing outlets rather than use trading companies.

"When Japanese companies first tried to export, they used trading companies but the service was inadequate and there was not enough volume," says Mr Masahiro Murakami, deputy director of the international department of the Japan Machine Tool Builders' Association. "Nowadays, except for the small companies, all have representative offices in foreign countries. Unfortunately, not many foreign companies are making an effort."

As in other sectors, the Japanese machine tool producers are starting to deal with the trade problem themselves. A few leading companies have established factories in the US and Western Europe and at least two have begun importing machines into Japan from their foreign plants.

Yamazaki, for example, has factories in both the US and the UK. Okuma Machinery Works, another large producer, said it too was planning US expansion, but had no plan to import machines into Japan. Hitachi Seiki, which already has a small plant in New York state, is nearing a decision to build another in Alabama.

It remains to be seen if these efforts are enough to prevent the emergence of fresh trade friction. Western European machine tool industry leaders, frustrated by the continued progress of their Japanese competitors, are already making representations to the EC Commission for protection and support along the lines of that being considered for the car industry. The pressure could prove difficult to resist.

Glyn Genin

Japanese were the first to exploit the commercial potential of computer-controlled machine tools

UK NEWS

Government will step up spending on law and order

By Peter Norman and Philip Stephens

GOVERNMENT spending on law and order and transport throughout the whole of the United Kingdom will increase at a faster rate than spending on health in the coming 1989-90 financial year, according to Government expenditure plans.

In its Public Expenditure White Paper (policy document) published yesterday, the Government disclosed that spending on law, order and "protective" services such as the fire service will increase by 9.35 per cent to £9.41bn in the year beginning in April.

Spending on transport will increase by 10.6 per cent to £6.56bn.

Health service outlays for hospitals, community health services and family practitioner services are scheduled to rise by only 7.4 per cent to £24.51bn.

The overall bill for health and personal social services, however, is set to increase by 6.8 per cent to £28.77bn in 1989-90 from £26.94bn in the current financial year.

The White Paper, which was released in a new format and without fanfare by the Treasury yesterday, presents the Government's spending plans for the coming financial year and 1990-91 and 1991-92 in greater detail than before.

Although the main outlines of the Government's spending plans have hardly changed since they were published in the Autumn Statement at the beginning of last November, the presentation of spending in the White Paper is given in more more varied form.

Whereas the Autumn Statement categorised spending by Government departments, the White Paper includes a break down of spending by function for the whole of the United Kingdom.

The analysis of spending by function casts a somewhat different light on planned health service spending in 1989-90 than did Mr Kenneth Clarke, Secretary of State for Health, in November.

At the time of the Autumn Statement, Mr Clarke highlighted planned spending on health in England alone with announcement that resources would rise by 9.5 per cent in cash terms, or 4.5 per cent in real terms after allowing for inflation.

The overall figures for England, Scotland, Wales and Northern Ireland published yesterday suggest that the real increase in health spending will be less.

Retail price inflation is expected to rise to between 7.5 per cent and 8 per cent in the early part of this year.

Although inflation is expected to fall by the end of 1989, the planned 6.8 per cent increase in spending on health and personal social services in 1989-90 could represent a minimal increase or even a decline in real terms.

The White Paper also disclosed a real decline in planned public sector capital spending next year.

While capital spending is set to increase to £27.1bn in cash terms in 1989-90 from £25.9bn in the present financial year, real spending adjusted for inflation will decline slightly to £24.3bn from £24.4bn.

The detailed breakdown in public spending drew a strong attack from the opposition Labour Party which said that Government neglect of investment was making for a "more congested, polluted, divided and more run-down Britain".

Mr Gordon Brown, Labour's Treasury spokesman, said that the real value of total public sector capital spending would fall by £800m over the next three years, a cut of 4 per cent.

Capital investment in the health service would be among the areas cut, reducing the value of Government spending to below the levels of the early 1980s.

He added that reductions in the budgets for regional aid, for environmental spending and for women showed the emptiness of the campaigns now being promoted by Mrs Margaret Thatcher, the Prime Minister.

"The fine print of the white paper reveals the Prime Ministerial campaigns are crusades without cash," Mr Brown said.

Local plans overhauled in council white paper

By John Hunt, Environment Correspondent

A RADICAL change to the town and country planning system in England and Wales – giving much more power to district councils at the expense of county councils – is proposed in a Government White Paper published yesterday.

Mr Michael Howard, Planning Minister, said it was a move to give people greater control over their environment at grass roots level and "another substantial step on the way to a streamlined planning system."

The proposals, likely to be the subject of legislation in the autumn, met a mixed reception. Some critics said that by weakening the counties' role they would remove an essential layer of strategic planning and cause confusion at the district planning level.

The White Paper, The Future of Development Plans, proposes abolishing the existing county structure plans which have statutory backing.

Under this system the counties draw up sweeping and often detailed strategic plans with which the districts have to conform in making their local proposals.

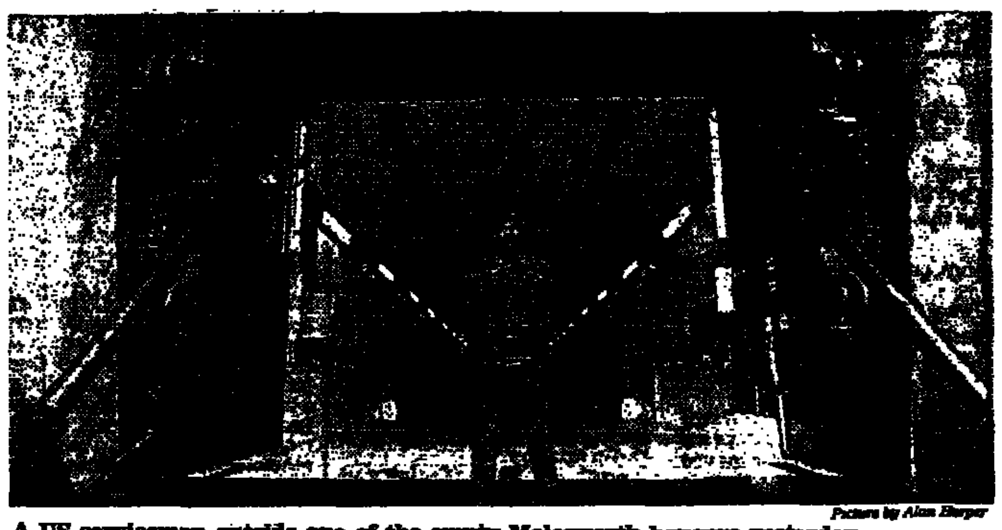
Under the new scheme, the counties would only be able to make county-wide statements on broad issues, which would be merely advisory without legal backing.

District councils, however, would be required by law to draw up local development plans, going into great detail on such things as housing location. At the moment only 20 per cent of district councils have such plans.

The Government believes that these specific local plans will give much greater clarity to the system and speed planning procedures.

The White Paper says that the district plans "should normally be given considerable weight in deciding planning applications and appeals."

The Association of County Councils, the Council for the Protection of Rural England, and Mr Jack Cunningham, Labour's environment spokesman, came out against the proposed changes.



Picture by Alan Harper

A US serviceman outside one of the empty Molesworth hangars yesterday

Cruise missile base stands down

UNITED STATES Air Force chiefs yesterday officially marked the end of their cruise missile base at Molesworth, in eastern England.

The 303rd Tactical Missile Wing, which has been responsible for the operation at the 600-acre base, was officially de-activated at a ceremony attended by senior US officers including General Marcus Anderson, Commander of the US Air Force in Britain.

Molesworth's 18 nuclear-tipped cruise missiles were all removed from the base late last year after the arms agreement reached with the Soviet Union.

Nato chiefs have not yet decided what role, if any, the top security base will now play in its defence plans.

Telecom market liberalisation planned by industry watchdog

By Hugo Dixon

LIBERALISATION of Britain's £1bn-a-year private telecommunications networks market is planned by the Office of Telecommunications, the industry watchdog.

The aim is to boost the fast-growing market for sophisticated services over telephone lines and to create extra competition for British Telecom, which still dominates the industry four years after privatisation.

Private networks are constructed by linking lines rented from telephone operators.

The liberalisation would be the first such move in Europe, where public telephone operators have traditionally kept tight control of what can be done with private networks.

"Any observer of the UK telecommunications markets must be struck by their richness of new ideas, new products and new services," Oftel said in a consultative document published yesterday.

"This is the result of liberalisation. Liberalisation allows the creativity of many people to be brought to bear and the result is bound to be a strikingly more vigorous market than could be brought about by planning under monopolistic conditions."

Oftel, however, made clear that it had decided on the matter. The burden of proof was on people opposing liberalisation, it said, and their cases would have to rest on "carefully constructed financial modelling."

The liberalisation of private circuits in the US in the 1970s unleashed vigorous competition.

Newcomers rented telephone lines on a wholesale basis from the established operators and then sold capacity to third parties, exploiting the fact that the price of private networks was artificially low.

It does not seem likely that liberalisation will work in quite the same way in the UK, because BT has increased the price of private networks in recent years.

The main impact is likely to be on companies which need private networks and those which use them to provide sophisticated services to third parties – so-called value-added network services.

Oftel is planning to abolish restrictions on using private networks for ordinary conversations.

The industry watchdog believes that the move will encourage companies to enter the market for value-added network services.

At the same time, companies established in the market – which include International Business Machines, the computer company, Reuters, the news and financial information agency, and the London Stock Exchange – will be able to offer rival voice services to BT over their private networks.

Further deregulation for business users of public telecommunications systems, Oftel, Atlantic House, Holborn Viaduct, London EC1N 2HQ.

Poor harvests, EC reforms leave farm incomes 25% lower

By Bridget Bloom

BRITISH farming income fell by 25 per cent last year, affected by another year of poor cereal harvests and the continuing reforms of the European Community's common agricultural policy.

Ministry of Agriculture figures yesterday showed aggregate farm income from Britain's 140,000 medium to large farms fell from £1.5bn in 1987 to £1.1bn last year, down 25.1 per cent.

On another measure, the cash flow of farmers and their spouses fell 21 per cent in current prices and 24.5 per cent in real terms.

The decline in income masks big differences between sectors, confirming that, while pig and poultry producers have fared worst and cereal producers are not far behind, dairy farmers have seen their incomes rise.

Dairy farming income rose by some 25 per cent last year, evidence that the introduction of EC quotas on production five years ago has enabled farmers to rationalise production without losing income. Sheep and beef farmers in the hills, maintained by sustained high support from Brussels, also saw income rise.

However, while the average net income of an English dairy farmer is shown as increasing from £15,200 in the 12 months to February 1987 to £18,500 in 1987-88, the average for cereal farmers fell from £16,400 to £8,000 in the same period – which does not take account of last year's rather poor harvest nor of further price cuts.

Three of the last four harvests have been poor and farmers are being particularly badly hit by the price cuts and other cost-paring reforms of the EC's farm policy.

The net income of Britain's poultry and pig industries, which are barely supported by Brussels and traditionally cyclical, are shown at record lows.

The Ministry sought to mitigate its findings by drawing attention to Inland Revenue figures showing that on average farmers earned only 50 to 60 per cent of their total taxable income from farming. It produces no new detailed figures, but it is suggested that farmers earn some 15 per cent of total income from other sources. Pensions and investments account for the rest.

Norton seeks pledge over intentions from Bowater

By Andrew Hill

NORTON OPAX, the specialist and security printing company, claimed yesterday that Bowater Industries, the packaging industrial products group, had refused to rule out a bid for Norton within the next year.

The printer said it asked Bowater for the guarantee as part of an increasingly bitter wrangle over the packaging company's 24.4 per cent stake in Norton.

The Takeover Panel yesterday confirmed that it was forcing Bowater to sell 1m ordinary shares – just under 1 per cent of Norton's voting capital. Bowater's purchase of the stake 10 days ago broke the Takeover Code's "substantial acquisition of shares" rules.

However, Samuel Montagu, the merchant bank advising Norton, wants Bowater to cut its stake to below 15 per cent, and the full panel is to meet tomorrow to consider the bank's appeal.

Norton told Bowater it could keep the bulk of the stake, if it promised not to bid within a year. But the packaging group refused to rule out a takeover.

It is still deeply suspicious of Bowater's intentions despite its claim that it intends to be a supportive shareholder.

Hoare Govett, Bowater's stockbroker, acquired about 23.7 per cent of Norton from Mr Robert Maxwell's Bishopsgate Investment Trust on January 20 at 170p a share.

UK hints at flexibility on Europe merger laws

By William Dawkins in Brussels

BRITAIN yesterday showed new flexibility over long-deadlocked plans for regulations to control European Community mergers, but pledged to fight EC attempts to boost worker participation.

"We are gradually getting there," said Lord Young, Britain's Trade and Industry Secretary, after his first meeting in Brussels with Sir Leon Brittan, the recently appointed European Competition Commissioner and a former UK industry minister.

The UK is withholding support for the merger scheme, which would oblige all big cross-frontier takeovers to seek first anti-trust clearance from the Commission.

Lord Young said the timetable for agreement was "slipping towards the second half of this year," an unusually firm suggestion that any accord on mergers is possible from an otherwise deeply sceptical UK Government. He said the main problem was to ensure that mergers did not have to seek double clearance from Brussels and from national competition authorities.

The scheme, which needs unanimous EC support also poses problems for West Germany and France.

The minister criticised another Commission proposal to allow merged companies to incorporate under a European statute, on condition that they guaranteed minimum levels of worker participation. "We want a social Europe, but its not about job protection ... it's about enterprise," he said. Britain could not support an EC company statute that included co-determination.

Government suffers defeat on Companies Bill

Political donations may need shareholder backing

By Ivor Owen, Political Correspondent

COMPANIES may have to seek the specific approval of their shareholders for donations made to political parties as a result of a 13-vote defeat inflicted on the Government in the House of Lords yesterday.

An amendment by the opposition Labour Party to the Companies Bill – carried by 106 votes to 93 – will, if left unchallenged, provide shareholders with an opportunity to oppose political donations.

They would be able to do this without having to vote against the entire annual report and accounts and possibly causing a catastrophic fall in the company's share price.

At least one Conservative back bencher, Lord Morris, joined with peers from all sections of the opposition benches in carrying the amendment.

The Government now has to decide whether to seek to overturn the decision when the Bill is sent to the House of Commons.

Lord Strathclyde, a Government spokesman, urged peers to reject the amendment on the grounds that the existing safeguards were satisfactory.

These required companies to disclose political donations of £200 or more and Lord Strathclyde said this was adequate.

While there was no requirement to secure the prior approval of shareholders for such donations, it was possible for those who objected to raise the matter at the company's annual meeting and their views would be taken into account by the board.

Lord Strathclyde said the Government considered the amendment to be "wholly unnecessary."

He described attempts to equate the political donations made by companies to the political contributions made by individual trade unionists as a "false analogy."

Lord Rochdale (Social and Liberal Democratic) said that the "clandestine way" in which some companies had been making contributions to the Conservative Party made the approval of such an amendment "more urgent than ever."

Lord Morris challenged the Government to explain how it was possible to "square" its objections to the introduction of voting rights for shareholders on political donations with its earlier actions introducing legislation conferring such rights on trade unionists.

Government progresses plan to tackle Belfast deprivation

By Our Belfast Correspondent

THE GOVERNMENT yesterday published further details of the plan for tackling the social, economic and environmental problems of the most disadvantaged areas in Belfast.

The proposals are contained in a document called "Strategy for Action" published by Mr Richard Needham, Northern Ireland's Environment Minister.

It outlines how the public and private sectors, together with voluntary and community groups, can contribute to "making Belfast work" – the project announced six months ago with an initial allocation of £10m in the current financial year.

The programme aims to increase economic activity, reinforce local enterprise, improve the quality of the environment, and equip the people of disadvantaged areas to compete successfully for available employment.

The initiatives include new training schemes, grants of voluntary and community groups, work on health facilities, and the establishment of additional action teams to oversee the economic rejuvenation of areas blighted by unemployment.

Mr Needham said: "We are determined to improve conditions wherever and whenever we can. A further £55m has also been provided for the next three years, in addition to the substantial expenditure already allocated, and government departments are now finalising details of action programmes which will be published in the spring."

NEI plans assembly of W German diesels

By Nick Garnett

NORTHERN Engineering Industries is to assemble and market large diesel engines supplied by Motoren und Turbinen Union (MTU), a wholly owned subsidiary of Daimler-Benz of West Germany.

The deal is one of a series of marketing and production agreements negotiated recently by the Newcastle-upon-Tyne based power station equipment and general engineering group.

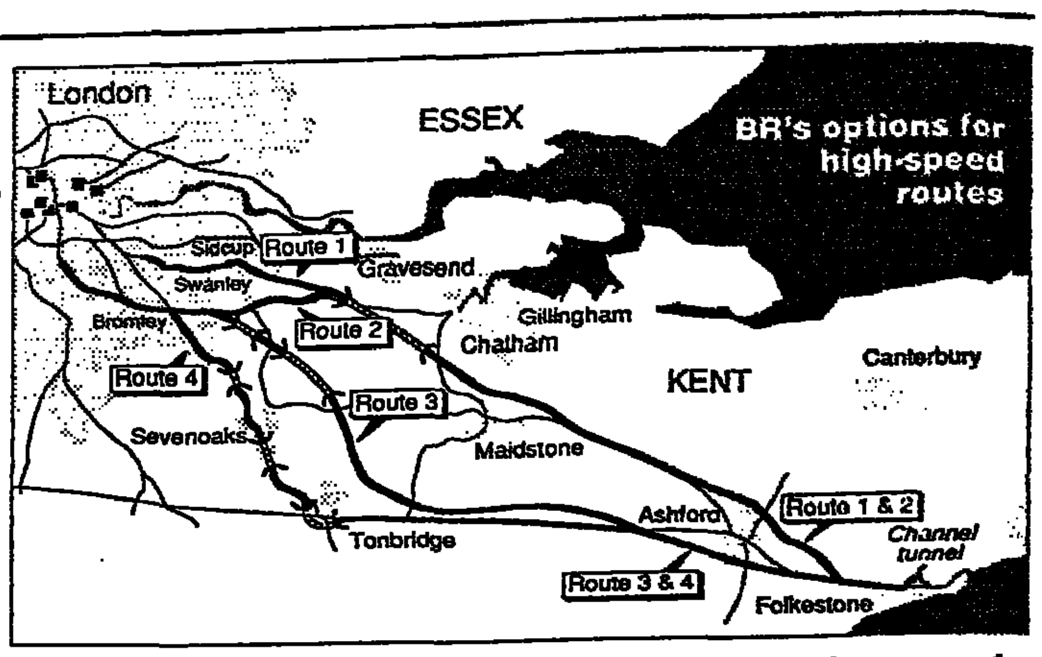
NEI's Crossley Engines company in Manchester, which makes French-designed Pielstick engines under licence, will assemble engines initially from components supplied by MTU from its main production plant at Friedrichshafen. NEI said the aim was to build up UK component content.

The agreement signals NEI's interest in breaking into the market for railway diesels.

Crossley, which employs 150, produces engines up to 13,500hp, all of which go into marine applications, usually for the Royal Navy. It is at present building engines for two auxiliary oiler replenishment(AOR) ships. MTU diesels range from 50hp to 10,000hp. NEI said Crossley aims to offer MTU-designed power units to British Rail, as well as to the Royal Navy and other potential users.

The company said it would continue to supply Pielstick-designed engines.

NEI has been involved in a number of joint deals recently with other companies. Some analysts say that these agreements strengthen NEI's position in the market place, but indicate that it is becoming a licensee of other people's technology, possibly at the cost of its own.



British Rail takes a local line to sell Chunnel link

Kevin Brown looks at the forthcoming decision on which route the trains will ply across Kent

AN AIR of siege is developing in Mr John Welsby's office on the sixth floor of Euston House, British Rail's recently refurbished London headquarters.

Mr Welsby, BR's international director, has the unenviable task of recommending to the British Railways Board which of three proposed routes through the county of Kent should carry the 180mph trains which will speed passengers to the Channel tunnel.

With only a few weeks to go before his decision is announced, Mr Welsby concedes that "things are hotting up a bit."

Unexpectedly, he draws comfort from Kent County Council's recent response to BR's consultation document, which rejected all three proposed routes, and called for a comprehensive rethink.

The source of comfort is the council's conclusion that BR is right to forecast that it will run out of capacity for international trains on existing track by the mid-1990s, and that new track will therefore be required.

"This is a useful starting point for discussions, because at least they are agreeing with one of our basic premises," Mr Welsby says.

Two premises underlie the BR case for the high-speed link, both have their roots in arguments first put by Mr Alastair Morton, chairman of Eurotunnel, the Anglo-French consortium which is promoting the tunnel.

BR took some time to accept Mr Morton's arguments, but now embraces them wholeheartedly. They are:

- Channel Tunnel trains will have to run on existing track from the tunnel opening date in 1993 until 1996 at the earliest, because it will take that long to build a new line. But on most traffic forecasts, that date coincides with the point at which BR will no longer have sufficient existing capacity to satisfy demand; and
- The chosen route for the *high speed link must offer the highest return* by catering for both international and domestic trains – though not freight traffic.

This means that it must take the shortest possible route to London, to minimise international journey times, and must also provide for a big improvement in local services.

Some opponents of BR's plans have tried to undermine the case for the line by claiming that it would cut only five minutes from the journey time from London to the tunnel portal, which would pale into insignificance in the context of a three hour journey to Paris.

BR dismisses this as "a deliberate misunderstanding" based on a comparison between 186mph running and speeds of 125mph, which would be possible if existing track was upgraded.

In fact, average speeds on the upgraded track on which the first trains will run in 1993 will be 60mph, which means they will take 70 minutes to get to the tunnel. A high-speed track, by contrast, would cut the journey to 40 minutes.

"The rationale for the new infrastructure is capacity, not time related," Mr Welsby says. "We are not doing it to get to the tunnel five minutes quicker, we are doing it because we are going to run out into problems of over-crowding on the domestic Kent operations, and we are going to be limited on the number of trains we can run for international operations.

"But if it is absolutely essential that we build a new line – and it is – then we have to consider the standards to which it is built, and it makes sense to construct it to take high-speed traffic."

Having said this, Mr Welsby makes clear that BR will be putting increasing emphasis in the next two months on the domestic users of the high-speed track – which it hopes will prove a substantial carrot to some people in Kent.

Contrary to some reports, it would not be technically difficult to slot a number of 125mph commuter trains into a pattern of 180mph international traffic.

For example, BR says it plans to run 125mph commuter trains from Ashford, which would cut the journey time to London from around 65 minutes to 35 minutes.

Through trains from Dover, Folkestone and Ramsgate would bring the East Kent *coast within an hour of London.*

Mr Welsby insists that he is still considering all three proposed routes and angrily denies claims from some of those protesting against the Kent links that route three (see map above), which would have to be built on viaducts through the Weald of Kent, was intended simply as a smoke-screen.

This will come as a disappointment to those, such as Mr Jeffrey Gaynor, planning director of Sevenoaks District Council, who think this route is "on the back burner."

Nevertheless, all the indications are that the chosen route will be a variation on routes one and two.

BR has been severely criticised in Kent for giving insufficient attention to the cost of remedial work to minimise the noise nuisance caused by high-speed trains, and for failing to carry out a detailed environmental impact study of each route.

Some protesters have also claimed that the project's viability could be affected if the cost of environmental protection is so high as to prevent BR earning a return of 7 per cent on capital employed, as required by the Government.

BR's answer is that the cost estimates published alongside the route corridors contain an allowance for environmental protection, though probably not to standards which would satisfy Kent County Council.

This allowance accounts for less than 10 per cent of the estimated costs of £1.2bn for route one, £950m for route two, and £1bn for route three.

However, BR says its costings are only estimates accurate to plus or minus 30 per cent, which leaves plenty of scope for a big increase in environmental spending.

In any event, environmental spending is something of a moveable feast. For example, parts of the track will be built in tunnels or cuttings for operational reasons.

But that will also have the effect of reducing noise nuisance, so the apparent spending on environmental protection could be bumped up by transferring the cost from one heading in the accounts to another.

There is a further point: the line is most likely to be constructed, owned and operated by a private consortium, which would rent track time to BR for both international and local trains.

This would mean that the private sector would take all the risk, and would avoid any requirement to meet a rate of return specified by the Government.

It would also avoid any problems with the Ryrie Rules, which govern the use of private finances for infrastructure projects.

MANAGEMENT: The Growing Business

Simon Dunne has built up an expanding property search agency employing 20 people, but feels an earlier period spent bumming around the world has left him without the discipline to plan his business properly.

Hemang Badiani has taken over a pharmacy and now employs 13 people, but is uncertain how to manage his staff for fear a wrong decision would cause them all to walk out. Rosemary Forgan runs a successful television production company, but feels that while she works diligently she is not always working effectively.

They were among a group of 13 small business owners who last week attended a pilot two-day workshop on Time, Stress and Crisis Management being run by the London Enterprise Agency (LEntA).

Time and stress management techniques have traditionally been offered to managers in large companies. But setting up and running a small business create particular pressures; both business and domestic uncertainties are experienced to a far greater degree. The small businessperson has less opportunity to delegate responsibility than the manager in a large organisation.

"We had so many people come to us and say 'I run out of time to do things. I feel lonely. I can't share my woes with my employees.' There was a need for a course specially tailored to small businesses," says Karen Langdon, LEntA's training manager.

Dorothy Badrick, a former drama teacher turned training consultant, begins the workshop with two questions for participants. Why did they go into business and what is their objective in life? Some have set up in business to make money or contribute to the community by creating jobs. For the majority, though, the aim is to gain control of their lives. Their objectives in life include freedom, happiness, personal development and peace of mind. "Health, wealth and loads of fun," is how Dunne describes it.

It is here that the first conflict and source of stress can arise. "You want to call the shots but you cannot control time totally," says Badrick. "You set yourself the goal of happiness and fun, but then lose sight of what you are here for."

To counter the feelings of inadequacy and guilt which can arise, Badrick recommends that participants write down their business objectives and also their goals in life. Both should be displayed on a notice board or in a diary. "Have your objectives where you can see them," she urges. "You have to remind yourself on a daily basis what you are seeking."

Often the small business owner becomes trapped in a vicious circle. He or she works too hard, becomes tired and achieves less than expected. He redoubles his efforts but gets even more tired. Friends urge him to slow down, but he has become so embroiled in work that he loses his sense of perspective. He continues working longer hours to less and less effect and finally ends up having an accident, a heart attack or a nervous breakdown.

Time and crisis management

'Health, wealth and loads of fun'

Charles Batchelor attends a course on ways of achieving business and personal objectives

"There are times of crisis when you must work very hard but don't do it for too long or too often," warns Badrick. Saying no is an important part of pacing yourself. Small businesspeople hate turning away customers for fear they will be lost for ever. But if they cannot deliver on time because of pressure of work they will just as surely lose the customer.

Caroline Coates, who has a fashion business, says she has said no to requests to sit on a fashion industry committee – but then she already sits on four. The other members of the course, however, are unable to think of occasions when they have said no.

The workshop now moves on to the question of how each of the participants spends his or her time. In a balanced week, Badrick suggests, the businessperson should spend 25 to 30 per cent of his time at work, between 45 and 55 per cent on "maintenance", including sleep, travel, cooking, eating, cleaning, and 20 to 25 per cent on leisure activities.

A quick survey of the people on the course shows that everyone spends too much time at work or on maintenance and too little on leisure. The highest leisure score – 20 per cent – comes from Fiona Robbins, a textile designer who is still setting up a greetings card business.

Simon Dunne, who lives just a 10-minute walk from his office, spends only 4 per cent of his time on leisure activities, while David Roe, who has a gardening and landscaping business, scores a meagre 5 per cent on leisure.

These low leisure scores indicate significant levels of stress and suggest that the course participants are letting maintenance activities "contaminate" much of the time that should be devoted to pure leisure, Badrick says.

Stress, when it does occur, takes many forms. It can show itself as tiredness, aches and pains, a lack of concentration, loss of confidence or a feeling of dread. Whichever occurs, it should be taken as a warning symptom, in the same way that pain is a warning of physical damage – that you are doing too much, says Badrick.

She suggests three ways of coping with stress:

● Accept the situation. An important customer may always pay late. If nothing can be done to persuade him to pay on time, the supplier may have to accept that nothing can be done. Merely taking the conscious decision not to worry any longer but to accept that payment will always be late puts you back in control of the situation and reduces stress.

● Avoid the situation. Deciding you will do no more business with that particular customer removes the cause of stress.

● Solve the problem or change the situation. Remind the customer of your terms of payment in the hope that he will improve his speed of payment. If this fails demand payment in advance.

Hemang Badiani says that discussing business problems with his father, who handles the finances of the pharmacy, leads to a confusion of business and family affairs. He resolves not to discuss business matters at home in future.

Unpleasant, stressful situations are frequently prolonged because the businessperson is unable to take a decision on how best to resolve them. Several of the course participants have delayed sacking members of staff because of the unpleasantness involved.

Difficult tasks should be tackled early in the day. The unpleasant phone call to chase up payment is best made at 8.30 am. You will probably catch the person on the hop and off-balance and the unpleasant task will not be hanging over you all day.

Complicated jobs which you tend to put off because they require a lot of time and effort should be broken down into manageable sections. "Dig holes" in the big jobs, says Badrick. Once you have made a start it is easier to pick it up later.

Setting priorities is important if jobs are to be tackled in the proper order. This prevents the unimportant, simple jobs always being done first, pushing the larger, more difficult, projects to the back of the queue. But beware of letting your priorities become dominated by what others regard as urgent. Important jobs are urgent, but not all urgent jobs are necessarily important, she warns.

However much you plan ahead, crises will inevitably arise. Cash flow may suddenly dry up, leaving you unable to pay the weekly wage bill; a key member of staff may die or leave; the landlord may decide not to renew the lease.

When this happens, says Badrick, do not react with the first idea that comes into your head. Stop, think (for 30 seconds, 30 minutes, or 30 hours if necessary) and decide on the order of priorities.

Review the options you should have considered in advance for handling whatever situation has arisen. Then act on what you have decided. Many people plan for emergencies but fail to carry out their plans. Finally, when the crisis is over, evaluate how well you have handled it and if necessary modify your contingency plans for the future.

The course participants leave with a variety of plans for the future. One intends to tackle a staff problem; another to set priorities; several have plans to take a greater amount of leisure. "Plan where possible for crisis," says Badrick. "But accept that there will always be uncertainty and insecurity."

Another course is planned for March 21-22 at LEntA, 4 Snow Hill, London EC1A 2BS, tel 01-236 3000. Cost £70, but free to those in business for less than a year.

Entrepreneurs

The folk heroes of today

Charles Batchelor reviews a history of some Britain's finest

Britain has created an enterprising business community from fairly barren soil over the past decade. New businesses are being set up at the rate of 200,000 a year; more than 100 new venture capital companies have sprung up and management buy-outs have emerged as a popular method of revitalising tired businesses.

And yet, for all the razzmatazz that accompanies the newly discovered enterprise culture, relatively few folk heroes have emerged. How many of the 650 millionaires who have been created by floating their companies on the Unlisted Securities Market are known outside their own industries?

The Americans, it seems, are much better at promoting their business heroes and creating role models. The story of how Steven Jobs and Stephen Wozniak, both barely out of college, founded Apple Computer is perhaps the best known.

Slowly, however, the stories of entrepreneurs who have made it in Britain are starting to emerge. "Entrepreneur: Eight British Success Stories of the 1980s"* by Paul Burns and Tony Kippenberger traces the histories of 14 businessmen and women who between them have started eight very successful businesses.

Sophie Mirman and Richard Ross, who set up Sock Shop International, and Bob Payton, the American founder of the My Kinda Town chain of restaurants, have already achieved a fair degree of recognition, helped in Payton's case by his pithy criticism of British attitudes to business.

But others are less well known. There is Cecil Duckworth, who set up Worcester Engineering to make central heating boilers as far back as 1962, and Pamela Gray, founder of Sphinx, a software business. The 14 entrepreneurs have been selected because they have achieved rapid and profitable growth, often leading to a stock market quotation, and because they illustrate a range of industries.

Readers might be tempted to attribute their success to government programmes to help small firms, to changes in the tax regime, to the establishment of the USM. But most of the entrepreneurs would have achieved their goals irrespective of these measures, the authors conclude.

So what makes for success? The authors point to vision, perseverance, a willingness to take risks and a good business idea, but show that there is no set formula. The backgrounds of the chosen entrepreneurs provide no clue to their ultimate success. Only three (Richard Gabriel of Interlink Express, a parcels delivery company, and the two Sock Shop founders) had self-employed parents. The others had either working class or professional backgrounds.

Many people dream of starting up on their own but most need a trigger to get them to act. David Bruce, founder of Bruce's Brewery, grew frustrated with his career prospects with one of the large brewers. Payton faced the prospect of being transferred back from London to New York to a job he did not want.

All the entrepreneurs had partners, either family or business colleagues. Mirman and Ross were husband and wife, while Arun, Nitin and Milan Shah, founders of Pepe, a clothes wholesaler, were brothers. Whereas the family partnerships survived, not all the non-family relationships endured. Payton, Bruce and Duckworth all bought out their original business partners.

Perhaps the most intriguing aspect of success is the personal qualities that are needed. Stamina and the ability to work long hours appear to be an important ingredient. This is allied with tenacity. Gray worked on her business idea for seven months before she got backing, while Robert Wright, founder of Connectair, a commuter airline, spent 18 months seeking support.

The products with which these entrepreneurs made their money were by no means revolutionary. They were just sufficiently innovative to differentiate them from the competition. Interlink Express made imaginative use of information technology to speed up parcels delivery. Sock Shop was based on the simple idea that there would be demand for specialist shops selling socks and tights.

The authors say they hope the book will inspire some readers to make their dreams come true. Some of them may, but others will be more cautious.

For instance, at one recent presentation of the book, Burns and Kippenberger were asked if they were not worried that they might be encouraging their readers to take risks and court disaster.

**Macmillan. 228 pages, £12.95.*

In brief...

Sixteen of Britain's local enterprise agencies have established computer link-ups to two business databases with the aim of providing a more efficient service to their small business clients.

The agencies will provide access to two University of Strathclyde databases on sources of government assistance on the regulations governing business in Britain.

The agencies participating in the scheme are in Blackburn, Bolton, Bristol, Cambridge, Doncaster, Milton Keynes, Newcastle upon Tyne (Project North East and ENTRUST), Plymouth, Runcorn, St Helens, Sheffield, Shropshire, Glasgow, Deeside, Merthyr Tydfil and Ogwr.

■ Britain's third Government Business Shop, intended to give small businesspeople direct access to Customs, Inland Revenue or Social Security officials, has been opened in Manchester.

Further shops will open in the coming weeks in Newcastle upon Tyne, Reading and Doncaster bringing the first phase of openings to six. Shops have already opened in Glasgow and Merthyr Tydfil.

The Manchester shop is based at the city's Small Firms Centre in Deansgate. As well as giving practical help on matters such as registering for VAT and PAYE the centres will have access to the full range of advice and counselling services for small firms.

The first six shops represent a pilot scheme which will be evaluated to see if changes should be made in future.

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by the Joint Administrative Receivers The Business and Assets of Winslow Component Systems Limited

(In Administrative Receivership)

The company manufactures connectors for the electronics industry, principally sockets for semi-conductor devices, from a 25,000 sq. ft. leasehold factory in Ebbw Vale, Gwent. The company's plant comprises injection moulding, plastic extrusion and high speed assembly equipment supported by a well-equipped tool room. Annual turnover is projected at approximately £2.4 million. There is a workforce of 79.

For further details please contact the Joint Administrative Receiver, R. G. Ellis.

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in the matter of

WHEADON AND ARBUTT LIMITED

Wheadon and Arbutt has traded as wholesale and retail plumbers' merchants in Manchester for over 70 years. It also has a modern bathroom showroom, supplying up-market suites direct to the public.
Turnover for the year ended 31 May 1988 was in excess of £1.7 million. Offers are now invited for the business and assets of the company.

Enquiries to: M J Isaacs FCA

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Chartered Accountants
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Principals only should apply in writing and enclosed latest audited/published accounts to: Martin F Drake FCA, Business to Business Sales & Acquisitions Limited, Fiveways House, Willian Road, Willian, Letchworth, Herts SG6 2AA. Facsimile 0462 480698.

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- stocks and work in progress,
- order book

For further information please contact the joint administrative receivers at the following address:—

John F Powell and Christopher J Barlow
Cork Gully
43 Temple Row
Birmingham
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Tel: 021-236 3986
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- plant and equipment,
- fixtures and fittings,
- motor vehicles,
- contracts in progress
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LONDON CELEBRATES THE BICENTENARY OF THE FRENCH REVOLUTION

Musical 'Images de France'

BARBICAN HALL

The bicentenary of the French revolution seems set to stir up as much musical activity in London as in Paris. Several battalions of concerts are at present preparing to march on the capital. This LSO programme on Sunday, part of the advance guard in the Barbican's "Images de France" series, looked as though it might have the qualities to rise above the rank and file, but in the event it did not.

The true feeling for style in French music is regrettably an elusive one. In both the Ravel and Berlioz halves of this concert the conductor Stanislaw Skrowaczewski showed that he has an ear for the special colours and atmosphere that French composers can draw from an orchestra, but that in itself should never become an excuse for self-indulgence. Ravel, in particular, used to get very impatient with performers who failed to keep his music on the move.

At several points in this performance of his song-cycle *Shéhérazade* the pulse virtually seemed to stop a shame as the soprano Arleen Auger might make a well-nigh ideal interpreter of the piece in the tradition of lighter sopranos like Danco or De Los Angeles, if only she had a light and fluid accompaniment to match. The shining purity, the grace, the sensuous allure are all there in the voice, but to reduced effect when each phrase of the vocal line is having to be split into two or three.

As Berlioz's *Symphonie fantastique* proceeded, Skrowaczewski fortunately picked up some momentum. By and large this was not a subtle performance and passages at less than total voltage evinced little more than the minimum concentration and care over detail in the playing. But the last two movements worked on a basic level, with blazing brass and thumping bass drum driving home the most coarse of Berlioz's climaxes with undeniable showmanship.

For the London Symphony Orchestra it was one of those contradictory evenings: some exciting, even virtuoso work for full orchestra could be heard alongside sour wind intonation and untidy string playing. The louder the better seemed to be the rule for orchestral ensemble and that is not necessarily a profitable course, even in this symphony.

Richard Fairman

Cécile Ousset

BARBICAN HALL

On Sunday, in the last of her three recitals in the Barbican's "Images de France" series, Miss Ousset played Chopin and also made one of her rare forays into postwar music. Henri Dutilleux's 1948 Piano Sonata is cool but richly pianistic for some twenty-five minutes, one of those works which risks being more rewarding to play than to hear.

Since Ousset's sheer pianism at its best – which one expects it to be in just such civilised-but-demanding music – is itself generously rewarding to hear, she is an ideal exponent for it.

The Sonata marked the emergence of the mature composer. He was already 32, with his elegant "Les Six"-ish sonatinas for flute and for oboe (still firmly entrenched in the repertoire) well behind him; but all the composers of his generation had had their careers fractured by the war.

The keyboard diction of his Sonata has much in common with Samuel Barber's (written for Horowitz a year later, and similarly more appealing to performers than to forward-looking critics), and beyond its Ravellian sonorities it harks back also to respected lesser forebears: Honegger in the opening movement, the Skryabin of the *Poème-Nocturne*, in the central "Lied," even Gabriel Pierné's noble but forgotten C minor Variations in the closing "Choral et variations."

If the strident peroration is no less a hand-me-down makeshift than Pierné's, the musical texture of the rest is real Dutilleux. Angular, narrow-gauge motifs are refracted through many angles, and they generate both the idiosyncratic harmonies and the brilliant figuration in all its liquid variety.

Instead of "symphonic" argument or debate in the manner of the Austro-German sonata, we get opalescent friezes with tantalising, intricate depths, and a conscious economy of material which was new in France – a kind of serialism without the numerology: Dutilleux was finding the same route as Lutoslawski and Berio from a different starting-point.

Miss Ousset did balanced, gleaming justice to the Sonata, as earlier she had done to Chopin. Her account of his late op. 61 *Polonaise-Fantaisie* – a marvellous other-worldly piece, terribly difficult to bring off in concert – was broad and limpid, uncommonly convincing at its under-prepared climaxes.

In the four great Ballades, typically, she intruded no *rubato* personality (no special nuances in the Andantino section of the Second, the winsome second subject of the Third nor in the F minor crypto-waltz which is the heart of the Fourth: all taken quite straight), but she measured their grand designs to a dramatic nicety. And as usual, her svelte solutions to all the technical hazards were an object-lesson to other pianists: her combination of Black Belt prowess and self-effacing *politesse* is treasurably rare nowadays.

David Murray

Detail from "Abduction of a Woman by Norsemen in the ninth century" by Evariste-Vital Luminais, 1896

République personified

William Packer visits the Hayward Gallery

This is the year which sees the celebration of the bicentenary of the Fall of the Bastille, if not quite yet of the setting up of the First Republic with those more particularly sanguinary associations that a loyal subject of the Crown must still deplore. But even so it is only right to pay some neighbourly attention.

Revolution Revisited is the particular contribution of the South Bank Centre, a festival of all the arts organised in association with l'Association Francaise d'Action Artistique, in a programme that is to run from March 11 until June 11. But as its harbinger and major feature so far as the visual arts are concerned, the exhibition, *La France: Images of Woman and Ideas of Nation 1789-1989*, already fills the upper galleries of the Hayward (until April 16: concurrent and joint-admission with *Leonardo da Vinci*).

As the title itself makes clear, the show addresses itself directly to this delicate issue of national personification, which may seem a shade impertinent on our part, as it were to intrude upon a private vanity. Certainly the French themselves seem not to have been entirely sure of our intentions, at least at first, and by no means all the major loans that were sought were made available. If the French are reassured in the event, as they should be by a delightful and affectionate exhibition, they might also be, like us, regretful that it is half the show it might have been.

Tant pis: and impertinent or not, the national self-image and symbol is a matter to which we too may lay claim. We have Britannia who, in a more lively age, was modelled on a royal mistress. But how staid and even pompous she has now become, staring abstractedly into the Imperial sunset. There she sits, regal, ceremonious and authoritative, an aloof abstraction more than anything of flesh and blood. Were we ever to think of modifying that stately image, would the issue become a matter of national debate, to choose between the most beautiful of our actresses? Doubtless we would leave the artist to find his own model, as before.

By contrast, Marianne, to the Frenchman, is very much a creature of flesh and blood, and her current identity a matter of some importance. Miss Catherine Deneuve is by now so much more than a brilliant actress and unfairly beautiful woman, and the question lies much deeper than whose should be the head on the new postage stamp. A Frenchman pointed out to me the other day that in our Queen, of course, we already have our living image and embodiment of the nation, and thus have no fiction to maintain. Indeed so, which only makes the need itself and its particular manifestation all the more intriguing. Does the Dutchman or the German, the Italian or the Spaniard, or the sentimental American care so much, and does he too see his nation in the image of a woman?

The French Revolution, and the Liberty to which it laid claim have also frequently been personified in the figure of a woman, most notably of all in Delacroix's great image of Liberty leading the People, which we should remember relates to the Revolution of 1830, which simply replaced one King with another. But la France does not quite see herself as the abstraction of Revolution, nor even of Liberty. Marianne is altogether more personable, various and humane. We may settle for a regal presence, hedged about with all the constraints of conventional discretion, performance and social expectation. Marianne, daughter of the Revolution and younger sister of Liberty, seems more real in her personality, free even to misbehave.

At once Earth Mother and coquette, national saviour and yet seductress, she is all things to all men – that is to say, all Frenchmen. She is Jeanne d'Arc, Mary, Queen of Scots, Charlotte Corday, la Goulou. She is Geoffroy's innocent who clutches her anniversary bouquet, or Schegg's Jeanne, a child so serious in her white dress, as for her first communion. She is the Ferryman's daughter of Adan's print, broad-hipped and active, or Boilly's Directoire siren. She is the eternal model, who takes off her blouse for Bonnard to take her photograph, or sits for Marquet with so oddly aggressive a calm, never so naked as with her black velvet choker at her neck, or Rodin's poor, doomed Camille Claudel.

Ian Jeffery, who scoured the provincial museums of France and Britain to find the material for this exhibition, sees Marcel's Albertine as the very type of Marianne, faithless, unpredictable and mysterious. "Where la Liberté and la République had high expectations, Marianne might be imagined as no more than an impressionable, fleeting youngster on her summer holidays at Balbec . . . She might respond to the steadying influence of an older or more prudent man, but at the same time harboured secrets . . . And Marianne herself might tire of old men, as she did in 1968." It is a very English view of her, and we know what he means.

Richard II

OLD VIC

Strangers to the English Shakespeare Company's cycle of history plays, images of lager lout jingoism and Falkland-style hullabaloo vivid from the enthusiastic press coverage, will find the most startling thing about the opening *Richard II* its old-fashioned, conventional dullness.

The Wars of the Roses, as director Michael Bogdanov and actor Michael Pennington have named the cycle, comprises "the Henrys" – *IV, V* and *VI*, the latter's three parts remoulded into two – flanked by two Richards. Supported by the Allied Irish Bank, the company occupies the Old Vic until March 11. Permuted trilogies are performed on Saturdays from 10.30 in the morning; the weekend of Friday to Sunday February 24-26 sees the complete chronological cycle of seven plays.

The effect must be cumulative. Certainly the production that launches the 90-year chronicle would have been in place in this very theatre 30 years ago. Atmospherically-intended anachronisms in costuming apart, this is old-style Shakespeare complete with hollow declamation and stilted standing around on the part of bystanders – an under-reacting lot whose caution is more suitable to the Plantagenet court than the modern English stage.

Chris Dyer's designs give us Regency opening scenes, with Richard as a young, slim Prinny; the Lords Appellant are Mr Gladstone's cabinet in striped trousers and morning-coats; and the King's murderers are natty-suited spivs. There seems no obvious significance in this blend of periods; recalling Mr Bogdanov's "dolce vita" *Romeo* for the RSC – with its sports-car and swimming-pool – one wonders whether he is a producer happier with gimmicky embellishments than seeking out the kernel of a play.

It is an odd *Richard II* where the Duke of York is star; but Colin Farrell's rubicund, side-whiskered mixture of John Bull and Colonel Blimp alone lifts the mood and reassures us that there is still life on stage after an irretrievably waffly John of Gaunt has droned his last.

This is not to detract from Michael Pennington's Richard who boasts breath control that an opera singer might envy. He spins a fine vocal line; excels in the childish tantrums fizzling into petulance against time-honoured Lancaster; and displays a nice line in whimsical mockery at his abdication.

He seems unsure of whether the great renunciation at Flint Castle is angry or ironic, feigned or serious (and gets no help from Bolingbroke *et al* who stare stolidly at the audience as if seeking a clue). His real fury is aroused at the final outrage: vows to God's anointed have been broken. Nothing personal. Perhaps this is why Mr Pennington's clear, well-spoken performance is ultimately unmoving: nothing personal. We must wait and see if the director's populist brand of rollicking modernity can breathe life into the later plays.

Martin Hoyle

Turandot

THEATERMANUFAKTUR, WEST BERLIN

When both East and West Berlin theatres celebrated the 90th anniversary of Bertolt Brecht's birthday this past year, it was the Berliner Ensemble's long-running *Die Dreigroschenoper (The Threepenny Opera)* – originally produced at this same (previously known as) Theater am Schiffbauerdamm in 1928 – that drew the most attention.

However, there was also an eyecatching production of *Leben des Galilei (Galileo)* at the Volksbühne, imported from the Teatro di Roma. And, in West Berlin, the Theatermanufaktur am Halleschen Ufer presented the rarely performed *Turandot oder der Kongress der Weisswäscher (Turandot or The Congress of Whitewashers)*, Brecht's last incompleted play before his death of a coronary thrombosis in 1956.

The Halleschen Ufer stage hasn't changed much from the glory days of the resident Berliner Schaubühne, which has now moved downtown to the Lehniner Platz. It is still utilised as a mobile space fitted to the conceptual needs of the production in progress by a young ensemble seeking to make its mark. As for Otto Zonschitz's production of Brecht's *Turandot*, the inspirational source appears to be Ariane Mnouchkine and her Théâtre du Soleil preferences for a elevated squared playing surface, musically intoned choreography, and expressive masks and costumes.

Zonschitz introduced an original element, however, to make the Theatermanufaktur production something special. Towards the middle of the second act, during a politically pregnant whitewashers' conversation, one can pick up traces of Brecht's own altercation with American Congressmen at the McCarthy Hearings, as well as hints, or echoes, of the writer's increasing disillusionment in his last years with Stalinist whitewashing methods. Thus, as a fragmented "political comedy" set in far-off China, *Turandot* has much to say not only about pseudo-intellectuals in general – in the Theatermanufaktur's version, the "Tuis" are attending a modern-day media conference – but also about the artists and politicians who cowed to Stalin and subsequent corrupt neo-Stalinists under Brezhnev during the recent "period of stagnation" in the Soviet Union.

Given even the drawbacks of an amateur ensemble, the Theatermanufaktur and several other "Off-Theater" groups in West Berlin can revel in staging more challenging and provocative theatre than that found in the heavily subsidised houses. Save for the Deutsche Oper Berlin, theatre lovers find themselves gravitating these days to one or other of the score of recognised fringe groups rather than wasting time at the Schiller-Theater, the Freie Volksbühne, and even the Schaubühne on Lehniner Platz, all of which are currently going through either a directorial change or a creative crisis.

Ronald Holloway

Brigitte Fassbaender

WIGMORE HALL

If any contemporary mezzo was going to take on the challenge of *Winterreise* it was likely to be Miss Fassbaender. She unveiled her account of the greatest of all song cycles at the Hohenems Festival in 1987, and brought it to London for the first time on Friday with the pianist Markus Hinterhauser, barely two weeks after Hermann Prey's memorable account in his South Bank Schubertiade. Fassbaender's was equally memorable, and very different; unlike Prey, she has not yet refined all its aspects into perfect accord, and there are still isolated songs that she seems to be exploring from the outside rather than illuminating from within. But so much is caught exactly, so many verbal nuances are picked up and conveyed, that the cycle is fired with the vividness that is recognisable immediately as this singer's particular gift.

At no point did Fassbaender sound anything less than convincing in this traditionally male preserve. The few occasions when the gender of the singer is explicit in the poems matter not at all, and as the cycle goes ever more inward such distinctions fall away. The fierceness of Fassbaender's response to its extremes was in itself absolutely universal, and very few male singers of the present day can match her range of tone colour, let alone deploy it with such musical acuteness.

No song was allowed to pass unattended; each was given a dramatic shape. There were some quite wonderful conceptions studded through the cycle – the single seamless arc of "Erstarrung," the withering disdain reserved for the third stanza of "Rückblick," and the marvellously natural rubato for "Irrlicht" immediately afterwards, the parsing of "Frühlingstraum," into three distinct modes of expression. Always too, nerves were just below the surface, which might be touched in a single phrase in an otherwise blithe and blameless song, or cruelly exposed and left raw.

Hinterhauser's accompaniments were often adroit, but inevitably they are not yet as subtle or discriminating as Fassbaender's singing. Sometimes he tries too hard to follow her inflections and pushes the line to the point of caricature. But it is clearly a well matched partnership, for he lacks the reticence that many pianists would when confronted with such an idiosyncratic artist as Fassbaender and recognises the advantages to be gained from bold intelligence. Already it has reaped a substantial reward, and promises a good deal more yet.

Andrew Clements

ARTS GUIDE

January 27-February 2

OPERA AND BALLET

London

Royal Opera, Covent Garden. Further performances of Nuria Espert's production of Madama Butterfly. Yoko Watanabe, Mario Malagnini, Thomas Allen and Anne Masson take the leading roles and Mark Ermler conducts.
English National Opera, Coliseum. First British performances of Aribert Reimann's Shakespeare adaptation, Lear, a 1970s opera already seen throughout mainland Europe and in the US. Monte Jaffe takes the title role, the cast includes Phyllis Cannon, Rosa Mannion, Nigel Douglas, and Rodney Macann, and the conductor is Paul Daniel. The 1977 production of La Bohème is revived with an uneven cast. Further performances of The Mikado in Jonathan Miller's sparkling updating.

Paris

Opéra Comique. Jean Baptiste Lully's Atys. The Grand Siècle in all its splendour; received the Grand Prix de la Critique in 1987. Salle Favart (bookings 47 42 53 71, info 47 42 57 50).
Paris Opéra. Wagner's Die Meistersinger von Nürnberg conducted by Lothar Zagrosek. The Hamburg Staatsoper production begins at 6 pm and lasts for approximatively five and a half hours (47 42 53 71).
Palais des Sports. Spain's national ballet brings colour with its 70 dancers and 250 costumes under the artistic direction of José Antonio (bookings 48 28 40 90, info 48 28 40 48).

Vienna

Staatsoper. In repertory: Chowanschtschina (première) conducted by Claudio Abbado, with Brigitte Poschner-Klebel, Joanna Borowska, Wladimir Atlanto. Cavalleria Rusticana conducted by Garcia Navarro with Gwyneth Jones, Wladimir Atlantow, Georg Tichy, Matteo Manuguerra. Pagliacci conducted by Garcia Navarro and sung by Patgricia Wisl, Nicolai Ghiaurov, Matteo Manuguerra. (51444, ext. 2660).
Volksoper. In repertory: Die Fledermaus; Der Freischutz; Der Fremdenführer; Das Land des Lächelns; Mignon; Don Giovanni; Ein Walzertraum (51444, ext. 2662).

Berlin

Opera. The fine Götz Friedrich production of La Bohème features Catherine Malfitano, Gwendolyn Bradley, Antonio Ordonez and Andreas Schmidt. Die Zauberharfe is well conducted by Heinrich Hollreiser. Notre Dame de Paris rounds off the week.

Hamburg

Opera. Peer Gynt, specially composed for Hamburg by Alfred Schnittke, has wonderful John Neumeier choreography. Die verkaufte Braut is a well done repertoire performance. Don Pasquale is well sung by Hellen Kwon, Urban Malmberg, Giorgio Tadeo and Kurt Streit. La Bohème features Patricia Wise and Franz Grundheber.

Cologne

Opera. Der Rosenkavalier returns in the wonderful Michael Hampe production with Felicity Lott, Gunter von Kannen, Teresa Ringholz and Wasilli Janulako.

Frankfurt

Opera. John Cage's Opera Europeras 1&2 returns with Marianne Rorholm, Michal Shamir, Margit Neubauer and others. Le Nozze di Figaro with Edith Mathis, Michal Shamir, Bodo Schwanbeck; and William Forsythe's ballet Isabelle's Dance.

Bonn

Opera. Tannhäuser produced by Jean-Claude Riber with a star cast led by Grace Bumbry, Richard Versalle, Alfred Fluff, John Bröcheler, Nadine Denize and Christer Bladin will have its première this week. Also the ultra modern production of Die Fledermaus by Bernard Broka.

Amsterdam

The Netherlands Opera production of Ariadne auf Naxos by Richard Strauss, directed by Graham Vick. Stephen Barlow conducting the Netherlands Philharmonic, with Rita Cullis as Ariadne. Jeanne Piland as the Composer and David Graffith as Bacchus. Thur in Rotterdam, Schouwburg (411 81 10).

Rome

Teatro Olimpico. Highlight of the British month event, organised by the British Council and the Accademia Filarmonica, and funded by ICI, is Benjamin Britten's only comic opera Albert Herring. It is performed by the Glyndebourne Touring Company, on its first visit to Italy, and conducted by Graeme Jenkins. Wed (383304).

Milan

Teatro alla Scala. Luca Ronconi's production of Weber's romantic opera Oberon, a mixture of Shakespeare, Ariosto and the Arabian Nights, with sets by Margherita Palli (the production requires 43 scene changes) and costumes by Vera Marzot. The cast, performing in five languages, includes Philip Langridge (alternating with Manfred Fink), Michael Pabst (alternating with Paul Frey) and Trudeliese Schmidt (80 91 26).

Naples

Teatro San Carlo. Mauro Bolognini's production of Puccini's Madame Butterfly with Olivia Stapp, Elena Mauti Nunziata, Eleonora Jankovitch, Nazarena Antinori and Giovanni de Angelis, conducted by Bruno Moretti (797 2412).

New York

BAM Opera. The Welsh National Opera inaugurates the new BAM Opera with Peter Stein's celebrated production of Falstaff, with Richard Armstrong conducting the US debuts of the WNO and Peter Stein. Brooklyn Academy of Music (307 7171).
Metropolitan Opera House, Lincoln Center. Bluebeard's Castle continues with Jessye Norman as Judith and Samuel Ramey in the title role, sharing the bill with the monodrama Ewartung where Jessye Norman sings the Woman. The week also features the last performances of Die Fledermaus with Barbara Daniels, Helga Deranesch and Allan Glassman; and Aida with Aprile Millo in the title role, conducted by Christian Badea (362 6000).
Ruddigore City Center. The New Sadler's Wells Company, conducted by Joseph Karaviotis, features Harold Innocent in this week of performances of Gilbert and Sullivan's castle-bound melodrama (581 7907).
New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season continues with 26 works by George Balanchine, nine by Jerome Robbins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26 (496 0600).

Washington

Washington Opera, Eisenhower Theater, Kennedy Center. Paul Lustig Dunkel conducts Albert Takazanckas's production of The Postman Always Rings Twice, Stephen Paulus's 1982 adaptation of James M. Cain's novel of passion and violence. (254 3776)
Pennsylvania/Milwaukee Ballet. A week-long visit features mixed programmes from this highly regarded regional company. Kennedy Center Opera House. Ends Feb 5 (254 3770)

Chicago

Lyric Opera, Civic Opera House. The company's last week of the season features John Copley's production of Tancredi with Marilyn Horne, Chris Merritt and Jan Galla, conducted by Bruno Bartoletti (332 2244)

Tokyo

Fujiwara Opera Company, with guest artists Lucia Aliberti and Aldo and the Tokyo Philharmonic Orchestra conducted by Carlo Franci. Tokyo Bunka Kaikan (Wed) (369 7020).

The Will

CONSERVATORY TERRACE, BARBICAN

My colleague Michael Billington was invited by the RSC to direct a short play of his choice as a company "extra." The event, I am sure, will be of more consequence to him and to the actors than to the overall destiny of the British theatre.

The cosy opening of Marivaux's *The Will*, in last year's brisk and idiomatic Methuen translation by Michael Sadler, was chiefly memorable for the sight of RSC artistic director Terry Hands scribbling down notes in an aisle seat. The gamekeeper turns poacher.

Le Legs (1736) is a triple decker slyly manipulated love-match set in a damp and windblown conservatory attached to a large and badly run country house. On Level 9 of the hideous Barbican Centre there is a conservatory. I shall not press any further topographical analogy. Way up to the glass roof weaves a wondrous, minor tropical jungle of ferns.

This atmospherically echoing greenhouse is presided over by Kate Leonard's haughtily provincial Countess, snipping crossly at geranium plants like a budding Penelope Keith in a housecoat and piled hair. And here we have it. The playing, though bright and eager, is nothing if not stiff, self-conscious and rather too English for Marivaux.

Even in the best exchanges between the Countess and Ian Barritt's irascibly silly ass Marquis, the reading is of a surface sensitivity only. Physical awkwardnesses abound. The Countess's housecoat is carelessly dumped on a table by a Yorkshire maid (Helen Sheals). Miss Leonard does not wield her secateurs with any precise implications of castration. Gordon Warnecke's servant is gabbled and hasty. Emma Hitching's Hortense, the slinky beneficiary of a condition in the Marquis' sudden windfall, looks and sounds like a posed mannequin at a fancy-dress function in Kew Gardens.

The costumes are vaguely 1930s, the great post-War French theatre rediscovery of Marivaux light years away. Anyone who saw Patrice Chéreau's magical treatment of *La Dispute* will know what I mean. Michael Billington knows what I mean.

Crucially missing here are the wintry dampness, lightning flashes and sudden squalls, the pervasive sense of degeneration, that a full-scale, technically indulged production might offer (though not, one suspects, at the RSC), and which the play needs. The current sideshow, last two performances on February 4 and 10, affords just a partial, distorting glimpse.

Michael Coveney

FINANCIAL TIMES

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Tuesday January 31 1989

Rumblings on the Rock

THE PLANNED pull-out of a British infantry battalion from Gibraltar, roughly half the strength of the total UK garrison on the Rock, was bound to provoke protests by the local population. Though the move has been presented by British officials as motivated entirely by military and economic considerations, the future status of the Rock is such a sensitive issue for Gibraltarians that any reduction of the British presence will appear to them as politically inspired.

Repeated assurances – first spelled out in the the preamble of the 1969 Gibraltar constitution – that British Governments would never transfer sovereignty over the Rock to another state against the democratically expressed wishes of its population, have done nothing to still local fears. For Britain is deemed by some to have initiated an irreversible process when it agreed in 1984 to allow Spain to bring up the question of sovereignty during regular bilateral discussions, as a quid pro quo for reopening its frontier with Gibraltar.

Sincere pledge

The British Government is, no doubt, sincere in its pledge not to hand over Gibraltar to Spain against the will of the Gibraltarians. But that does not mean that it is the wish of the UK to hold on for ever to what is described by Spaniards as "the last colony in Europe." Such a policy might have made sense as long as Spain was governed by a Fascist dictator, but since its espousal of democracy, its entry into the European Community and its confirmation of Nato membership, the permanent retention of Gibraltar by Britain has become a much more questionable proposition.

It is a measure of the closer bilateral relationship that has been forged by Britain and Spain since the 1984 Brussels agreement – symbolised by last year's visits of the Queen and Mrs Thatcher to Spain – that the two Governments have managed to reach a tacit understanding on how to handle the Gibraltar problem. Spain, too, has made it clear that it does not want to see a solution which is not acceptable to the Rock's population. But both Governments will do everything they can to persuade the Gibraltarians that their long-term political and economic interests would be best served through a close association with Spain.

Such a process, it is recognised in both London and Madrid, will necessarily take a long time – perhaps 20 years. In the meantime, however, the tail cannot be allowed to wag the dog and the British taxpayer cannot be expected to shoulder a patently unnecessary burden. A 780-strong army establishment may have served as a symbol of the UK's resolve when General Franco was in residence next door, but it is hardly required when the neighbour is as friendly as the present Spanish Government. Britain's Nato role in Gibraltar is, in any case, fulfilled mainly by the remaining Royal Navy and RAF personnel, not by the army.

Economic loss

Gibraltar does stand to lose some economic benefits from the departure of part of the UK garrison, given that the Ministry of Defence employs some 12 per cent of the workforce and is estimated to generate about 18 per cent of the Rock's income. But Gibraltar is not devoid of alternative resources. Tourism has expanded by leaps and bounds since the opening of the frontier in 1985 and the Rock has become an important centre for financial and other business services.

As Gibraltar's Socialist Prime Minister, Mr Joe Bossano, appears to have realised, it is highly desirable that the territory should be transformed from a defence-based to a more diversified modern economy. In the process, the Rock will inevitably draw closer to its big neighbour economy and a solution to its future political status will gradually emerge. That kind of fundamental decision, however, is not for tomorrow. In the meantime, it seems inappropriate for the Gibraltarians to cry wolf at the departure of a few hundred soldiers who no longer fulfil either a military or political purpose.

The politics of land use

YESTERDAY'S British Government White Paper on the Future of Development Plans in England and Wales is a muddle. The disposition of land could be left to the market, or it could be a matter for central or local Government. In Britain it is a little of each.

The white paper proposals ensure that it will continue to be so, without making it clear where the cost of the muddle will fall. This is perhaps unsurprising in a small island in which any new development is, at local level, a contentious political issue. In a relatively spacious country like the United States new developments are often welcome for the extra boost they give to local economies. In Britain the national perception of the need for new housing, offices and factories is often in direct conflict with local perceptions of the need to keep one's own neighbourhood clear of invaders.

When the latest Government proposals were first put out for consultation in September 1986, the political impetus was in favour of simplifying planning permission procedures. The balance of argument favoured development for the economic benefits it would bring. Yesterday's white paper still reflects that balance, although it pays lip-service to the need to protect the green environment, which is strongly felt by suburban and country-town Conservative voters.

Broad-brush plans

The principal simplification is to be a removal of the power of county councils to make structure plans. Detailed plans, showing what may be built where, will in future be the responsibility of district councils. The counties will be restricted to the production of broad-brush "statements" of planning policies. This should certainly streamline the system. It takes some 28 months, on average, to alter or replace a country structure plan; the theory is that all that delay will be swept away. What remains to be demonstrated is whether the smaller district authorities will all have the expertise necessary to produce detailed plans of their own. Under the existing system only 57 out of the 333 non-metropolitan district councils have produced properly acceptable local plans. The most successful examples of voluntary regional planning are county-led; in future the onus could fall on the less well-equipped regions to form regional associations.

The Government can now reasonably proclaim that local people, through their elected district councils, will have a direct say in the allocation of local land. This is true as to choices between one part of a district or another, but not as to whether there should be development rather than conservation. The Government, through the Secretary of State for the Environment, may intervene at most stages in the new process to give directions in accordance with what it sees as national or regional priorities. Thus if Whitehall believes that the market will generate demand for a given number of new houses in, say, south-eastern England, the necessary acres will have to be provided. The districts will in the end be obliged to say where they will be, and it is to be hoped that the county statements will encourage some cross-border logic, but the lines of influence will in future run most strongly between district councils and the Department of the Environment.

Local taxation

This is perhaps understandable in view of the Government's policies on local taxation. The new community charge will be a per-head tax. New domestic properties will no longer add to property tax revenue, since the latter is to be abolished. Business properties will be subject to a national uniform business rate. Whatever is extracted from developers in the form of "planning gain," there is bound to be a cost to the national taxpayer arising from every new local development.

The reason is that new local services such as roads, street lighting and schools, will, at least partly, be funded through centrally provided grants. This constitutes a continuing subsidy for development at a time when concern about its extent is growing. The muddle will persist until a single white paper addresses itself to both sides of the equation – administrative and financial – at once.

BUDGET 89

Peter Norman introduces a series on options for Britain's Budget, now six weeks away

Austere outlook, cheery Chancellor

What a difference a month makes.

When Mr Nigel Lawson and a small team of Treasury ministers and top advisers met at the Chancellor's official weekend residence at Dorneywood, Bucks, early this year they had only the most tentative evidence of the hoped-for slow down in the British economy.

Now, a welter of information suggests that Mr Lawson's policy of high interest rates has begun to correct the excess domestic demand causing Britain's twin problems of high and rising inflation and a huge current account balance of payments deficit.

But as the Chancellor begins seriously to weigh the options for his sixth Budget on March 14, he might reflect that the apparent good news of the slow down may all be coming a little too quickly.

While the Bank of England, the City and the foreign investors who finance the current deficit will be looking for continued fiscal and monetary rigour, influential figures in the Conservative Party are already eyeing the swelling budget surplus, estimated at around £13bn this year, for tax cuts and savings incentives.

At the present relatively early stage in the Budget process, the odds are still that Mr Lawson will unveil a cautious Budget.

The man who prides himself as a tax reformer admitted last year that he has few major reforms left on his agenda. The Inland Revenue needs time to digest last year's sweeping restructuring of the income tax to just two rates – a basic rate of 25 per cent and a higher 40 per cent rate – as well as to prepare for the introduction in April 1990 of the independent taxation of husband and wife.

Politically, Mr Lawson, for all his gambling instincts, might conclude that he stands to gain from minimal fiscal action this year. His first duty, if he is to restore his miracle-worker reputation and his standing with the Prime Minister, is to return the economy to a more sustainable pattern of non-inflationary growth. With the next election due by mid-1992 at the latest, 1989 is about the last year in which he can inflict pain on the voters without this turning into an electoral liability.

The Chancellor has already embarked on the time honoured process of reducing expectations. He recently told the BBC World Service that peoples' hopes of income tax cuts may have to be deferred this year. However, a do-nothing Budget is unlikely. The Chancellor likes to spring surprises. He is also hurt that last year's Budget, which he regards as a "fiscal milestone," is often blamed for overheating the economy.

He has set as a target the reduction of the basic rate of income tax to 20 pence in the pound. One penny off the basic rate would cost £1.4bn in 1989-90 and £1.75bn the following year. By adjusting other taxes to compensate, he could decide on a limited income tax cut to underline the Government's commitment to lower taxes without boosting demand in the economy.

Much will depend on the economic signals over the next six weeks. But in judging Mr Lawson's likely moves, it is important to realise that he believes the British economy is one of the world success stories of the 1980s and a testimony to the Government's various "supply side" reforms.

Strong economic growth of around 5 per cent last year and impressive output and productivity gains in manufacturing industry have accompanied a sharp drop in unemployment. The seasonally adjusted 2.04m total in December was the lowest level since March 1981.

The negative side of the balance sheet is that growth has been pulled along almost entirely by domestic demand. Real consumer spending rose last year by more than 6 per cent, straining capacity and sucking in imports. Latest figures show personal savings as a ratio of income have fallen to a record low of 1.3 per cent. An estimated four fifths of UK households are spending more than they earn. One consequence has been the leap in the current account balance of payments deficit to an unprecedented £14.3bn last year. Another is that retail price inflation reached an annual 6.8 per cent in December and is rising.

Central to the Chancellor's strategy is the belief that these problems represent merely "too much of a good thing." There is, he maintains, nothing fundamentally wrong with the British economy that a stretch of tight monetary policy, exemplified by the step-by-step increase in bank base rates from 7.5 per cent in June to 13 per cent in late November, cannot put right.

January's crop of economic data suggests the credit squeeze is starting to work. The housing market, one of the most overheated parts of the economy, is already showing clear signs of cooling. A slowdown in the property boom is vitally important for the Government's plans. Three years of rapidly rising real wages and house prices encouraged people to move house. The process fostered an illusion of wealth, stimulated demand for consumer durables, boosted borrowing and released into the economy as much as £15bn of cash in 1988 alone through "equity withdrawal" from the housing market.

The Halifax Building Society's house price index shows house prices now rising at a monthly rate of 1 per cent against 3 per cent and 4 per cent in summer 1988. A stroll down any high street in the overheated south-east tells the same story of estate agents' offices without customers, of houses sticking on the market and vendors having to accept offers below asking prices. Demand for mortgages has slowed. New mortgage lending by building societies fell to £2.28bn in December, the lowest monthly figure since January 1987, and down £1.2bn on November.

Where the housing market has led, retail demand is following. Retail sales declined in volume for the second month running in December. Although the actual fall was very small – the index fell to 140.3 from 140.4 in November and 141.2 in October and is prone to revision – the Treasury believes sales have been broadly flat since July.

The outlook is for a further decline. The most recent distributive trades survey from the Confederation of British Industry and the Financial Times, carried out in December, found retailers gloomier about their future than at any time since the survey was started in 1983.

Available evidence suggests that Mr Lawson's high interest rate policy is not yet seriously hurting industry. Although the January CBI survey of business opinion registered a downturn in manufacturers' optimism for the first time since summer 1986 and chronicled growing concern about export prospects and the strong pound, it also showed that industry plans to maintain its present high level of investment. The CBI also endorsed the Government's anti-inflationary drive.

The CBI's survey appeared to justify Mr Lawson's reliance on high interest rates as his key instrument for short term economic management. Because of changes in the indebtedness of British households, the high bank base rates, now that they are feeding through into mortgage rates of 13.5 per cent and more, should prove a more effective brake on consumer demand than in the past. In recent years the personal sector has become a net debtor, with around £250bn of mainly variable rate debt compared with £200bn of variable rate assets.

Industry is well padded by contrast. Corporate profit margins are at their highest level for 30 years, according to the merchant bank, J. Henry Schroder Wagg. Recent official figures showed that gross trading profits of non-North Sea companies rose 11 per cent between the second and third quarters of last year and were 17 per cent up on the third quarter of 1987. The inverted yield curve for debt securities also means that companies can borrow long term funds below base rate. The average yield on 25 year debentures fell below 11 per cent at the end of January.

However, there are still risks to Britain's chances of achieving a "soft landing" from its economic boom. Inflation is a threat: it could reach 8 per cent at an annual rate this summer, as high mortgage rates, increased electricity, gas and water charges and travel costs feed through into the index. This could increase pressure for higher wages, with the risk of a wage/price spiral.

Although last week's announcement of a lower than expected £1.38bn current account deficit in December cemented the belief in financial markets that interest rates have peaked, monthly trade figures have sprung unpleasant surprises in the past. The December figures in any case showed that the current account deficit is running at an annual rate of £15bn, some £4bn more than forecast by the Treasury for 1989. In the CBI survey, manufacturers were gloomy about export prospects over the next 12 months, casting doubt on their ability to shift sales abroad sufficiently to produce a speedy drop in the deficit.

Although Mr Lawson has been looking especially cheery in recent days, the last thing he wants to suggest is that Britain is out of the woods – especially as he is being subjected to a torrent of unsolicited advice on how best to spend the public sector surplus in the Budget.

The Institute of Directors has pressed for large income tax cuts; the CBI wants a big reduction in corporation tax; Mr Lawson faces a groundswell of opinion in the Tory Party in favour of income tax cuts for the lower paid through increases in tax-free allowances by more than the rate of inflation. Writing in the Sunday Times, Sir William Clark, chairman of the Conservative backbench Commons finance committee, urged the Chancellor to spend £5bn of his surplus taking the lower paid out of the income tax net, increasing incentives to savers and starting the abolition of inheritance tax.

With Mr Lawson in purdah, it is impossible to find out what he thinks of such ideas. But a booklet, Tax Reform – The Government's Record*, that he published last June, clearly sets out his priorities on taxation policy. The booklet is of added significance because it was ghost written by Mr Robert Culpin, the Chancellor's former press spokesman, now responsible for drawing up the Budget tax changes.

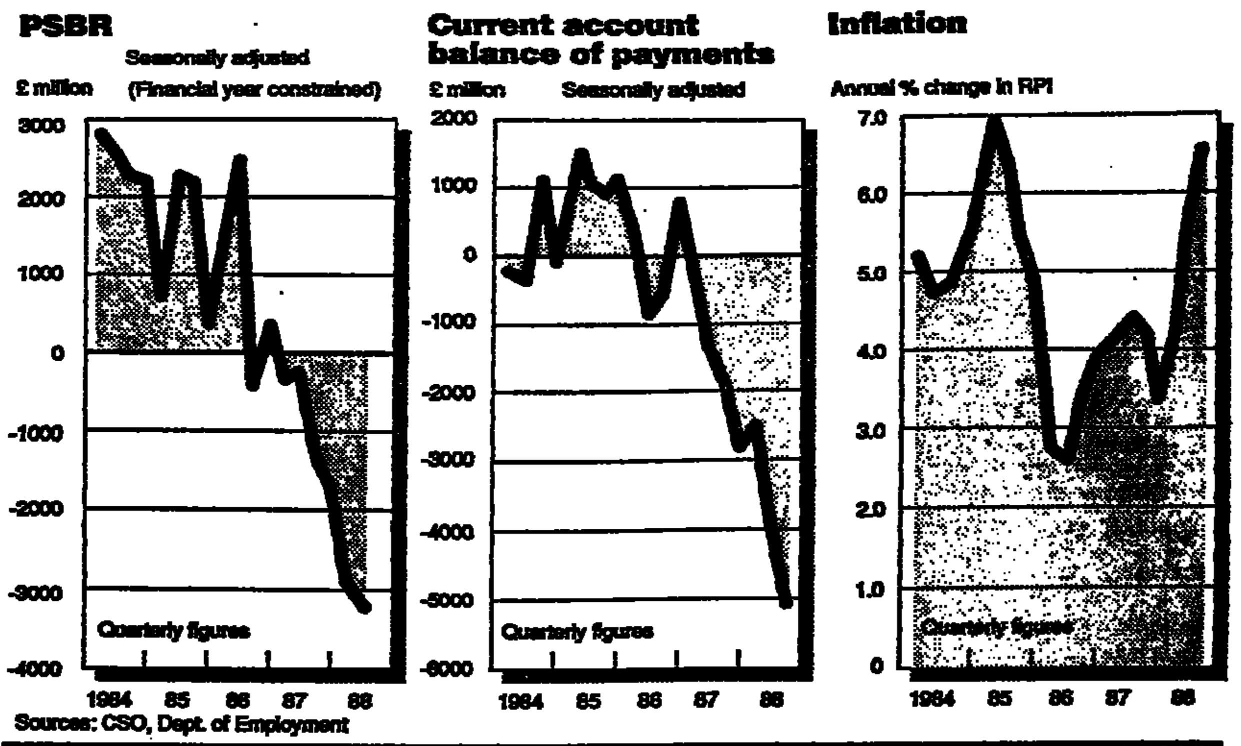
The document states that Mr Lawson's "main objective in reforming taxes has been to improve the performance of the economy; and that is the overriding test by which the reforms stand to be judged." The next highest priority is "to leave people with more of their own money" and "in particular, and so far as practicable, to reduce marginal tax rates, so that an extra pound of earnings or profits is really worth having." Only after this, is it a Government priority to see that peoples's choices are "as a general rule . . . distorted as little as reasonably possible through the tax system."

If Mr Lawson sticks to these principles, he will probably produce a very austere Budget this year. Any cuts in income tax would be likely to reduce marginal tax rates (which the Chancellor also believes to carry a bigger electoral dividend) rather than raise thresholds. Special savings incentives appear unlikely, except perhaps for measures to boost Personal Equity Plans, which were introduced in his 1986 Budget to boost investment in British equities and have achieved disappointingly low sales.

But whatever surprises Mr Lawson draws out of the battered 19th century budget box on March 14, it will be some months before we know whether his stewardship of the British economy is back on course.

* *Issued through Conservative Political Centre, 32 Smith Square, London SW1P 3HH, £1.75*

The Lawson years



Sources: CSO, Dept. of Employment

Women on women

■ Women's Day at India House in London: Margaret Thatcher unveiled a sculpture of Indira Gandhi, and a very moving occasion it was.

Thatcher recalled that after the Brighton bomb in 1984, when she was very nearly killed by the IRA, she received a consoling note from Gandhi about the awfulness of terrorism. Gandhi herself was assassinated a few weeks later.

The two Prime Ministers had come to know each other well. What they shared, despite their different views on some subjects, Thatcher said, was a sense of loneliness. They both knew about the "little things of life" as well as the big, and she used to like going to Gandhi's house for meals tête-à-tête. Thatcher praised her for her practicality: wanting more farm implements and self-sufficiency in food, not the grand designs of some other Third World leaders.

The literary quote, when it came, was from Kipling: "The female of the species is more deadly than the male." But it sounded kindly meant.

Other women came out well. Daphne Park, the retiring President of Somerville College, Oxford, seems almost to be doing a double act with the Prime Minister nowadays. Last week she announced that a new building at the College will be known as the Margaret Thatcher Centre. Yesterday she talked about Indira Gandhi's time at Somerville reading economics. Her father, Pandit Nehru, came to visit it and a tutor suggested that she might switch to English. Nehru disagreed: "It is good for young women to suffer," he said.

Perhaps best of all was Kathleen Raine, the poet, who spoke – from Shelley – about the unacknowledged legislators of mankind. Michael Foot and Lord Callaghan looked on in admiration. Thatcher seemed almost close to tears.

OBSERVER

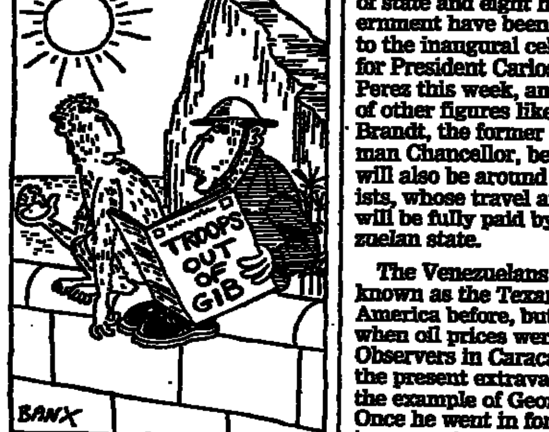
The sculpture, by a young Indian, K. S. Radhakrishnan, shows Gandhi with a rather fuller face than you would expect – almost jolly – and will reside on the first floor of India House in the Aldwych.

Young Castro

■ Fidel Castro is going back to his old love. In the midst of another multi-hour speech at the weekend, the Cuban leader suddenly glanced at his watch and announced that he would have to stop because a big baseball game was about to begin.

Little is known about his abilities on the field. But, before his revolution, American major league players often used to play winter baseball in Cuba and at least one account of Castro in action survives. In the 1950-51 season he strode out of the crowd at Havana University in the middle of a game to take the pitcher's mound against one Don Hoak.

Castro, dressed in a white shirt and black suede shoes, threw just three pitches, one, Hoak recalled, "a good fast ball, a regular bullet." The other two were aimed, whether deliberately or not, at Hoak's head, prompting the batter to appeal to the umpire who called in the police and had Castro thrown out of the game.



"I hope it doesn't extend to the territorials."

Full circle

■ Rosalind Gilmore has had a pretty itinerant career since she left the Treasury, where she was once a very articulate press secretary and head of the Financial Services Division. She had a spell at Dunlop, as part of the early wave of civil servants moving into the private sector, and left before the company got into difficulties. She became director of marketing at Girobank and for the last two years has held the quasi-academic post of Directing Fellow at St George's House, Windsor. Meanwhile, she had a fine run as one of the statutory women on television discussion programmes.

She is now returning to the Civil Service, at least at arm's length. Gilmore will be deputy chairman of the Building Societies Commission, the watchdog of the building society industry.

To win her back, the service has used new powers to reinstate her at two grades above the level on which she left in 1982. Apart from seeking to guide the industry through a period of considerable upheaval, she will be a trailblazer in another way. Not one of the 115 building society chief executives in Britain is a woman, though the Catholic Building Society is almost an honourable exception: its chairman is the Hon Mrs Nona Byrne.

Almost Texas

■ The new Venezuelan Government is beginning to behave a bit like the old Shah's regime in Iran when it comes to hospitality. No less than 18 heads of state and eight heads of government have been invited to the inaugural celebrations for President Carlos Andres Perez this week, and a host of other figures like Willy Brandt, the former West German Chancellor, besides. There will also be around 500 journalists, whose travel and board will be fully paid by the Venezuelan state.

The Venezuelans have been known as the Texans of Latin America before, but that was when oil prices were high. Observers in Caracas blame the present extravagance on the example of George Bush. Once he went in for a splendid inauguration, the Venezuelans had to follow.

Any old ties

■ Gieves & Hawkes, the Savile Row tailors who 20 years ago had the Beatles recording a rock session on a near-by roof, again claim to be breaking new ground. They have installed a dry cleaning unit – run by Lilliman & Cox – on the premises, the theory being that you can have your existing clothes cleaned while ordering new ones.

Yesterday morning they offered a free Gieves & Hawkes tie in place of any old tie that they could not improve by cleaning. The tie that Observer took along was very old indeed, very esoteric, representing a society long since defunct and almost totally worn out. Gieves & Hawkes are still working on it and will reach a decision by Thursday.

Table talk

■ Overheard: "I wonder what male oysters eat when they feel they need a bit of a boost."

LETTERS

Tarted up

From Mr Howard Knight.

Sir, David Lawson correctly draws attention ("Shake-up planned for home improvement grants," January 25) to the £22m backlog of maintenance in the public sector housing stock, and to the response of local authorities which have significantly increased their expenditure on refurbishment and planned maintenance over the past 10 years.

Unfortunately he takes at face value the Secretary for the Environment's statement that "inner city spending is expanding." The evidence is to the contrary. The additional finance set aside for Housing Action Trusts (wanted by nobody except Mr Ridley) and Estate Action is but a small proportion of the 20 per cent cut in housing investment programme allocation (the amount the Government allows local authorities to borrow to spend on housing), announced by the Secretary of State in December.

Mr Lawson correctly points out the dramatic reduction in Government support for refurbishment in the private sector, while pouring ever greater sums, via mortgage interest-relief, into supporting inflation in house prices. But his concluding sentence, "The more successful the right-to-buy programme becomes, the more work is likely to come to legitimate building companies, since owners are more willing to pay for refurbishing," is just a series of myths.

1. Overwhelmingly, owner-occupiers use small building firms. These contain the majority of "cowboys", most of whom make little contribution to quality of maintenance, training and so on, and about whose work there is immense dissatisfaction. Local authorities have a long-term interest in securing and retaining "legitimate" builders of all sizes, in order to get value for money.

2. The Department of Environment's own House Condition Survey shows that the greatest rate of deterioration in the housing stock is in the owner-occupied sector, not the public-tenancy sector.

3. Refurbishment undertaken by people who buy their council houses is invariably of the "tarting-up" variety (new doors, bathrooms) rather than of the basic fabric.

I'll bet that the next House Condition Survey will show that the private housing stock has deteriorated further – or will the survey be cancelled, in order to save money?

Howard A. Knight,
Association of Metropolitan Authorities,
35 Great Smith Street, SW1

CGT applied to house sales

From Mr George Weir.

Gratuitous advice to the Chancellor centres around restraining excessive investment in housing, coupled with the need to restrict borrowings secured against increased house values and concern over the historically low savings ratio. The following suggestion might in time alleviate these.

Capital Gains Tax (CGT) has a potentially high yield from the private investor whose savings ratio has dropped to historically low levels, an effect compounded by the fact that, thanks to present high share values, enforced savings via employers' pension schemes have fallen to a very low level. CGT does not have a high actual yield. It merely distorts investment decisions in the private sector by providing a disincentive to switch holdings in a portfolio in response to market signals, and an incentive to make investments through collective media rather than individual shares.

This distortion is reinforced by the way in which one specific investment, owning and reselling one's home, is not subject to CGT. (This is the real subsidy to home ownership, besides which income tax relief on borrowings up to £30,000 is insignificant.)

Suppose the basis of CGT were to be recast so that "rollover" relief was allowed both on personal portfolio investment and on the purchase and sale of a home while bringing home ownership into the capital tax net.

The mechanism to ensure this would be to treat as equivalent to a realisation any increase in borrowing secured against taxable assets except where the borrowing was taken to fund new assets. As long as the proceeds of a house sale or of portfolio investments were ploughed back, they would remain free of gains tax: CGT would only become payable when gains were realised.

Such a tax regime could also cater for the abolition of inheritance tax, by simply treating death as a realisation of the taxpayer's remaining portfolio, but with an appropriate allowance corresponding to the existing system.

To the extent that the elderly suffer, by reduced ability to draw on accumulated wealth by "dis-saving," this could be alleviated by an increase in the level of capital gain which they can realise free of tax, relative to others. Gifts *inter vivos* would also need special treatment. Finally, it would serve to promote savings at the expense of expenditure.

George Weir,
Kilmany House,
Kilmany,
Cupar, Fife.

UK university funding

From Mr Martyn Thomas.

Sir, According to the committee of vice-chancellors and principals (CVCP) the pay of UK university lecturers now stands at less than 80 per cent of its value a decade ago (relative to average UK earnings).

The universities have no funding for a pay rise for lecturers for 1988-89, and will have only half the funding which will be needed to keep up with inflation in 1989-90.

This cannot be in the national interest. The changes in employment which are under way are increasing the demand for graduates. Indeed, it could reasonably be said that UK international competitiveness is linked to the quality and quantity of graduates entering UK industry. We shall not achieve the necessary numbers and high quality if we progressively undervalue and under-reward our teaching staff.

In teaching there is no free market for labour; the Government is effectively a monopoly purchaser. Normal methods of pay-bargaining are therefore not appropriate. Would it not be better simply to award teaching staff pay rises which match the average increase in pay in the UK economy for the preceding year?

In the case of university academic staff, this would match the request to Government from the CVCP, and end the current boycott of examination work. It is in everyone's interest that a fair settlement is reached very soon.

Martyn Thomas,
Praxis Systems,
20 Manvers Street,
Bath, Avon

From Mr Anthony Carew.

Sir, I welcome your editorial on academic salaries (January 25), and your conclusion. As you say, for the foreseeable future the universities will remain overwhelmingly dependent on public money, and Mr Kenneth Baker, the Education Secretary, has a duty to provide the funds for a realistic pay award for academic staff. (We are, as you note, one of the few groups whose pay is actually worth less now than in 1979.)

But I take exception to your chiding academics for behaving more like students than dons, with the boycott of examinations, and demonstrations.

British university staff are moderate to a fault, with an almost naive faith in the power of rational argument. Unfortunately, under the present dogmatic Government, rational argument counts for little. Over the past 12 months my members have tried a variety of ways, short of direct action, to persuade Government of the damage being done to universities. They have written to MPs, lobbied Parliament, handed out leaflets at graduation ceremonies outlining the financial crisis facing the university sector, and persuaded our Council at the University of Manchester Institute of Science and Technology (Umist) to write to the Secretary of State in support of our case.

All this has made not the slightest impression on Mr Baker. He did not even trouble to reply formally to the letter from Council. (All we received was a telephone message from a Baker aide.)

Now that the examination boycott is really biting, responsible people are beginning to realise the seriousness of the crisis. The Court of Governors at Umist passed overwhelmingly an Association of University Teachers motion calling on Mr Baker to inject public funds into universities sufficient to recruit, retain and motivate qualified staff, and to allow an expansion of access to universities with no diminution in the quality of teaching and research.

It is heartening that the business community, which is heavily represented on the Court, is now beginning to speak out on this matter. I hope their colleagues attached to other universities will follow suit.

Anthony Carew,
Umist Association of University Teachers,
PO Box 88,
Manchester

From Mr G.A. Lee.

Sir, Apropos of your headline (January 19), "Varsities may seek extra funds to pay lecturers," who uses the word "varsity" today? It was obsolete in 1933, as Dorothy L. Sayers (a Somerville College, Oxford, alumna) made clear in Hangman's Holiday, in her story "Murder at Pentecost".

Monty Egg, her commercial traveller-detective, is offered a new aphorism for the Salesman's Handbook while in conversation with two Oxford undergraduates:

"Certainly," replied Radcott's companion. "And you might add that 'To call the university the varsity is out of date.' 'Varsity' has somehow a flavour of the 1860s.'"

G.A. Lee,
The University of Nottingham,
Department of Industrial Economics, Accounting and Insurance,
University Park,
Nottingham

Lapdogs come too expensive

From the President, Association des juristes d'entreprise européens.

Sir, In general I would agree with A.H. Hermann's legal column (January 16). But so far as in-house solicitors are concerned, the Law Society, for all the 25 years that I have been one of that number, has never shown any "reluctance to allow staff lawyers to provide to their employers the full range of legal services of which they are capable . . .".

True, when I joined ICI there was a feeling in private practice that I was "leaving the profession" to become a "tame" lawyer, but that attitude died out many years ago, and I and my colleagues have for long enjoyed a close professional relationship with private practice and with the Law Society.

Mr Hermann states that the in-house lawyer finds it difficult to advise his chief executive to forgo the latter's pet project, or that he participates in "easy option" decision making within the corporation. My experience is that chief executives expect their in-house lawyers to scrutinise any proposal very carefully and to render clear, concise and, above all, independent advice.

After all, in-house lawyers are expensive to employ; few chief executives can afford a costly lapdog from whatever discipline within a corporation.

B.D. O'Meara,
ICI Group Legal Department,
Imperial Chemical House, SW1

Magnetic attraction

From Mr Andrew Beaton.

Sir, Your comments regarding the proposed management buy-out of Magnet ("The magnetic lure of the buy-out," Lex column, January 26) are, I believe, misplaced.

For management to offer shareholders a significant cash premium to what is available in the market place is providing shareholders with an attractive alternative. They are not obliged to accept. If this action leads to a bid by a third party, the shareholders are even better served.

If the market is not offering shareholders the correct price for their shares, it is the market and not management which is at fault.

Andrew Beaton,
72 Laurel Road,
Hampton Hill,
Middlesex

Acceptance at a touch

From Mr Nicholas Dee.

Sir, I was pleased to see your legal correspondent's remark (January 16) that staff lawyers are shedding their status as "untouchables" of the profession. Those of us practising in employment feel the position is even better.

There are certainly more in-house lawyers than your correspondent states. He mentions the figure of 1,000 barristers on the staff of companies, and in central and local government. My own association (The Bar Association for Commerce, Finance & Industry) has some 850 members. When you add those who have not yet been attracted to join, and those in central and local government, the figure is closer to the 2,000-3,000 quoted in your survey of the legal profession on October 20 1988.

Even prior to January 1 this year, barristers practising in employment had achieved significant rights of appearance in lower courts and direct access to those in independent practice without having to go through a solicitor. The Bar Council's new code of practice from January 1 1989 amplifies these rights, which have been evolving for some time.

I am delighted to see your correspondent's acceptance of the independence of mind that those practising in employment can exercise. Members of my association, who are fully subject to the Bar's disciplinary provisions, certainly do not feel that they are any less independent than outside advisers. Independence is more a question of professional training and attitude than the organisation one works for.

Now that we have shed our previous untouchable status, I look forward to an article describing our role as key members of our profession . . .

Nicholas Dee,
Beecham Group,
Beecham House,
Brentford,
Middlesex

Tourist costs in Jordan

From Mr James Smith.

Sir, Alas, my friend Rami Khouri's anticipation (December 20) that "holidays in Jordan would become less expensive for foreign tourists" is far from correct.

Almost all the hotels in Jordan have taken the opportunity of the devaluation to increase their prices, in some cases retrospectively, and are now charging foreign tour operators in hard currency.

To this must be added value added tax (VAT) at 10 per cent (introduced on November 6 1988). The final effect is that hotel prices have gone up about 10 per cent, and in some cases, more.

That is not to say that Jordan is not a cheap country when you reach it, but if the effects of devaluation are not passed on to the benefit of the foreign tourist we can expect the inflationary impact to take away even this benefit. Jordanian airport tax has gone up already, from 7 Jordanian dollars to 10 Jordanian dollars.

Much of the problem reflects the loss of confidence by Jordanian hoteliers, who have been faced not only with the imposition of VAT, but also by severe charges for labour permits. These are required for all foreign employees, who represent a very significant factor in hotel economics.

James Smith,
Jasmin Tours,
23 High Street,
Chalfont St Peter,
Buckinghamshire

Old roots may begin to sprout again in Yugoslavia

From Mr Nenad Grisogono.

Sir, Your *realpolitik* leading article, "A Balkan House of Cards" (January 11), may not, after all, be as realistic as it may at first look.

Yugoslavia's strategic importance may have diminished in view of the easing of East-West tensions, and its possible collapse need not immediately have dire consequences for the rest of Europe in that it would not directly endanger the global East-West balance. And yet the disintegration of the present system may lead to the "Lebanonisation" of the country, with unforeseen consequences for the stability of the area and eastern Europe which, in turn, may adversely affect East-West relations.

In the heyday of the cold war the West saw fit to support in Yugoslavia, for reasons of state, a corrupt and oppressive regime.

Though the cold war is seemingly over, wisdom dictates caution – particularly now that an era of political, social and economic instability has become incipient in eastern Europe.

This instability is adopting particularly acute forms in Yugoslavia. It would be therefore wrong if the West were to disinterest itself in its fate. But now, instead of subsidising the "irresponsibility of the Yugoslav tribal chieftains," the West could do itself and the peoples of Yugoslavia a good turn by lending moral support to genuine democratic forces sprouting in all parts of the country.

These forces, in the shape of inchoate political groups, professional associations and human rights committees, are a sound foundation on which to build. The celebration of the 70th anniversary of the creation of Yugoslavia on December 1 1918 in Serbia, and the lengthy interview of the pretender, Crown Prince Alexander, published most recently in *Mladina*, Ljubljana, and *Start*, Zagreb, seem to indicate that there is a general desire to go back to more traditional forms of government. The West could do worse than to ignore this trend.

Nenad Grisogono,
Chairman, The South Slav Research and Study Centre,
4 Church Road, N6

FOREIGN AFFAIRS

How history judges the revolution

Edward Mortimer recalls his experiences during the Iranian overthrow and questions its place in posterity

It will be exactly 10 years tonight since Ayatollah Khomeini, accompanied by a small group of aides (most of them now either dead, disgraced or back in exile), a large group of journalists and a volunteer Air France crew, took off from Paris to fly back to his country, to be greeted the next morning by one of the most tumultuous welcomes ever accorded to a national leader.

Alas, I was not on that plane. I arrived in Tehran 24 hours later, on a British Airways flight on which I was the only non-Iranian passenger. Unlike the Ayatollah, we arrived at a completely deserted airport, apart from one El Al Boeing that was being loaded up with the belongings of the departing Israeli mission. Otherwise there was no one about: no baggage handlers, no control tower personnel, no police. We just walked across the tarmac, through the empty terminal buildings, and that was it.

But later I met up with colleagues who *had* come with Khomeini from Paris, and one of them told me about a briefing given a few days earlier by Mr Michel Poniatowski, the close confidant of then President Valéry Giscard d'Estaing. "It's quite simple," Mr Poniatowski had said. "Iran is obviously in for a couple of years of Terror. Our interest is to get that over as quickly as possible and get to Thermidor. Then things will settle down and we can start doing business."

It struck me at the time that Mr Poniatowski was telescoping things somewhat. I suppose he was taking the Shah's departure from Tehran, on January 16, as equivalent to the overthrow of the French monarchy on August 10 1792 – almost exactly two years before the fall of Robespierre on 9 Thermidor Year Two, which is generally taken as marking the end of the Terror.

But the Iranian revolution had only started in 1978. It was not until the last few months of that year that you could find any event in Iran comparable to the Fall of the Bastille. Perhaps the Shah had speeded things up by getting out of the country when he did, thus avoiding the fate of Louis XVI who waited two years and then botched it. But two years still seemed hardly long enough for an upheaval of such proportions to simmer down.

I labour the point because, although these analogies can be frivolous and misleading if pursued too literally, one can often discern a certain dynamic in human affairs which helps to make them intelligible.

Even in very different societies and cultures, the same causes will often produce similar effects. Revolutions in particular tend to conform to a certain pattern, as the American historian Crane Brinton* noticed 50 years ago.

Maybe I am grasping at straws to justify the fact that I spent my student years learning about the French Revolution, rather than studying things which might have had a more obvious relevance to my subsequent career such as oriental languages or economics, or even journalism.

I do not think in so doing I shall win any plaudits from my former tutor, Richard Cobb, who has always had a healthy distrust of grand theories of history, preferring to study the past for its own sake and, of late, proclaiming the "irrelevance" of the French Revolution to anyone who will listen. But there it is. As an observer of the Iranian revolution I cannot help being struck by historical parallels.

Yet does the Iranian revolution really merit inclusion in the canon of historic Revolutions studied by Brinton: English, American, French, Russian?

This question was debated in the concluding session of a fascinating conference on "the Iranian revolution 10 years later," held the week before last at the Royal Institute of International Affairs. John Simpson of BBC Television, who *was* on that Air France plane 10 years ago, argued the case for; Patrick Bannerman, the British Foreign Office's resident Research Counsellor on Islam and the Middle East, gave the case against. (Both, needless to say, speaking for themselves, not their organisations.)

Almost anyone in Tehran in February 1979 must have been left with the impression of having witnessed an epoch-making event

Inevitably, I found my instincts were all on Mr Simpson's side. I think almost anyone who was actually in Tehran in February 1979, caught up in that extraordinary whirlwind of change, must have been left with the impression of having witnessed an extraordinary and epoch-making event.

It was so unmistakably a *popular* revolution, not just in the sense of having mass support but in being the product of profound social forces which welled up and overcame all conventional wisdom about the nature of political power.

In conventional terms the Shah, with the best equipped armed forces in the Third World and the support of all the major powers, was simply invincible. But his power was rotten at the base because it came to be seen as alien and illegitimate by all the opinion-forming groups in the country, and so eventually by many of the very people whose job it was to maintain it. The breadth of the coalition which supported the revolution at its climax, and the consequently intense struggle between competing ideologies which followed that climax, were classic symptoms of Revolution with a capital R.

So was the ferment of excitement that it provoked throughout the Islamic world; and the war to the death in which, within two years, it became embroiled with its immediate neighbour, mixing ideological and national rivalries; and the fact that that neighbour was backed by a coalition of the crowned heads of the region.

But did it in fact bear a revolutionary message of worldwide import, a message destined to dominate the political thought of the next century, as by and large those earlier revolutions did? Here Mr Bannerman seemed on much stronger ground.

The Khomeini message is unashamedly reactionary: it reasserts traditional values and offers the rule of Imam Ali (AD 658-661) as a political model. Moreover, it has failed to "take". Iraq's Baathist regime, even with an army whose rank-and-file is mainly Shiite, has weathered the storm. The crowned heads are still in place. Not a single Moslem people has followed Iran's example. The revolution has retreated to its home territory, and even there it has quite a few troubles.

Is that the end of the story? Perhaps, but let us not repeat Mr Poniatowski's mistake of trying to rush the historical process. Remember that 10 years after the outbreak of their respective revolutions Cromwell had yet to dissolve the Rump; the US did not yet have a constitution; Bonaparte was about to seize power and would take another three years to reach an ephemeral compromise peace with France's enemies; Stalin was still manoeuvring against Zinoviev and Trotsky and had not yet begun his programme of forced collectivisation and industrialisation.

Remember, too, that new ideas with revolutionary force have often sprung from the attempt to realise a utopian vision of the distant past: England before the Norman Yoke, or the Rule of the Saints; the Republic of Virtue, based on ancient Rome; Primitive Communism, before the division of labour.

The rule of Imam Ali, and even of the Prophet himself, is sufficiently remote and obscure to allow a great deal of late 20th century improvisation; and the idea that non-Western peoples should look to their own tradition for models, rejecting what is prescribed for them by established powers, is, I suggest, one that will remain relevant for quite a few decades to come.

* *The Anatomy of Revolution* (New York, 1938).

FINANCIAL TIMES
Tuesday January 31 1989

Ernst & Whinney opens Moscow accountancy office

By Richard Waters in London

A WESTERN accountancy firm has set up shop in Moscow for the first time since the Bolshevik revolution.

Ernst & Whinney, one of the Big Eight international firms, opened in the city at the end of last week after a formal ceremony in Moscow's Hall of Human Achievements.

The office is expected to employ about 50 accountants and consultants when fully staffed and is a joint venture with Vneshconsult, a Soviet management consultancy.

The move highlights the depth of commercial ties between Western companies and their Eastern counterparts which has created a new demand for audit, accounting and management consultancy services.

Ernst has about 30 joint ventures between Soviet and Western companies as clients already and as many more "in the pipeline", says Mr John Howell, director of the firm's Eastern Europeam division.

This is not the first venture into Eastern Europe by Western accountants since the advent of perestroika. Price Waterhouse achieved that distinction when it opened an office in Hungary in a joint venture with a local firm at the end of last year.

These offices are expected in time to form the basis of extensive European networks. Like Price Waterhouse, Ernst & Whinney has also set up an office in Budapest and it has plans to open in Poland and Yugoslavia soon.

Mr Howell said: "Companies are looking at Eastern Europe as a whole, in the same way as Western Europe after 1992. It makes sense to look at it as a region, rather than as separate offices."

The accountancy firms' experience of investing in communist companies has not been a happy one in recent years. Large firms rushed into the People's Republic of China when there appeared to be commercial opportunities but returns on those investments has fallen short of predictions.

No repeat fees for the Iran-Contra show

Lionel Barber explains why the trial of Oliver North may not live up to expectation

OLIVER NORTH, the retired marine lieutenant colonel and White House aide at the centre of the Iran-Contra scandal, goes on trial today in Washington DC.

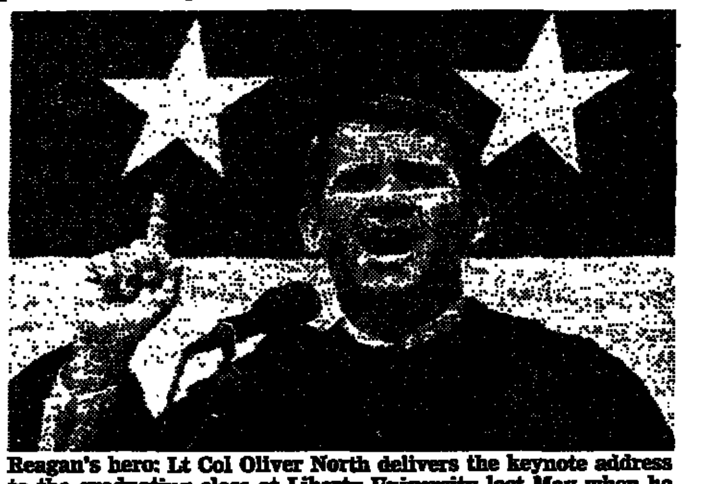
Anyone expecting a repeat of the televised spectacle 18 months ago, when Col North's self-righteous patriotism cowed a congressional committee and polarised the American public, should be forewarned: this is a trial likely to be marked more by anticlimax than courtroom drama.

What once promised to be a comprehensive indictment of high government misdemeanour has come down to 12 felony counts, ranging from the shredding of documents to the use of small amounts of money and gifts which Col North received while attached to the White House.

The charges carry a maximum sentence of 60 years' imprisonment and fines of $3m, but the chance of Col North – frequently described by President Ronald Reagan as a national hero – receiving such harsh punishment must be slim. The charges show little for a $12m criminal inquiry lasting two years.

The turning point in the case came earlier this month when the presiding judge, Mr Gerhard Gesell, at the request of the prosecution, dismissed the two central charges of conspiracy and attempting to defraud the US Government.

Judge Gesell said he could not assure a fair trial unless Col North was allowed access to certain classified government documents. When the US Justice Department ordered the documents withheld on national security grounds, the Government's case largely collapsed, a victim of the basic constitutional right of an accused person to defend himself fully and in public.



Reagan's hero: Lt Col Oliver North delivers the keynote address to the graduating class at Liberty University last May when he faced 16 charges relating to the Iran-Contra arms scandal

Critics believe the prosecution – led by Oklahoma-based attorney Mr Lawrence Walsh – should have foreseen this legal impasse long ago. Instead, they argue, Mr Walsh, 77, plunged ahead with an ambitious criminal case of conspiracy ill-suited to the scandal: in essence, the diversion of profits from US arms sales to Iran into secret military aid to the Contra rebels in Nicaragua.

Mr Walsh, during a distinguished career going back to the 1930s, has successfully prosecuted villains ranging from Nazis to Mafiosi. In the Iran-Contra inquiry, his basic goal was to show that Col North and his co-conspirators defrauded the US Government of money to which it was entitled as a result of arms shipments to Iran, and then attempted to cover up their actions.

President Reagan authorised the Iran arms sales in 1985-86 in a largely futile and politically inept effort to free American hostages held in Lebanon. Col North overcharged the Iranians and funnelled the profits into several secret operations, including bankrolling the Contras during a congressional ban on military aid.

So much for the legal niceties; now for the more mundane political considerations in the case.

When the Iran-Contra scandal broke in November 1986, Congress found it simply too hard to resist setting up its own investigatory machinery. Hence, a congressional inquiry unfolded in parallel with the criminal inquiry led by Mr Walsh. This uneasy competition grew into outright conflict when Congress used its power to grant limited immunity from prosecution to certain witnesses whose testimony was deemed vital to the televised hearings of the joint House-Senate committee.

The award of limited immunity, while ensuring that the story of the scandal could be revealed to the American public, meant Mr Walsh and his cadre of 35 attorneys could not use their evidence in a future court case unless they could show they had obtained it independently of the congressional hearing.

The second, ultimately decisive obstacle to Mr Walsh concerned national security. Col North – despite an infinite capacity to embellish – burrowed his way into many of the most sensitive undercover operations conducted by the Reagan Administration. Therefore it was only natural that Col North's central defence would be that every action he took was authorised – and he could prove it, given the relevant documents and the right witnesses.

Over the new year, the decorated Vietnam veteran and Mr Brendan Sullivan, his lawyer, showed how far they were prepared to go, serving subpoenas on President Reagan and President-elect George Bush, along with a plethora of top Reagan Administration officials, including Mr George Shultz, Secretary of State.

Past precedent suggests it is doubtful that President Reagan will be called into the witness box (although he may have to surrender his diaries, which may in turn halt work on a $5m book contract). Equally, the deference traditionally shown by the courts to the office of the President suggests Mr Bush will not be called to appear either (although Judge Gesell, presumably to satisfy the constitutional historians, stressed last week that he did have the power to summon the President, should he so choose).

We have reached a curiously unsatisfactory end to a scandal which, when it broke, shook the Reagan presidency to its core. Perhaps, as many Republicans insisted at the time, the case should never have come down to criminal charges because Col North's offence was primarily political: it was his defiance of Congress's intent – rather than his pursuit of personal gain – that constituted the problem.

A cleaner ending would have come if President Reagan had shown the courage of his convictions and used his power to pardon his national hero. But Mr Reagan, fearing that a new controversy would sour his presidency, declined to act. And so the buck stopped with Col North who now faces the prospect of jail, the lecture circuit or a combination of the two.

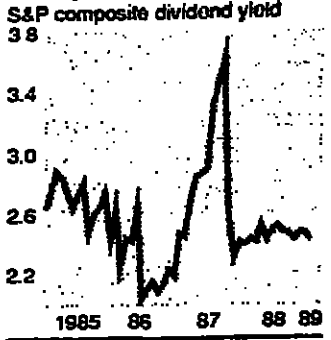
THE LEX COLUMN

A foggy day in London town

As a pointer to today's trading, yesterday's close in London was perfectly ambiguous: up 37 points on the day, and down 30 points since lunch. The nature of demand looked pretty undecided as well; turnover was in the stampede class, at over 1bn shares, but the institutions were reported as unwilling to chase the market after its initial surge. It was not even clear how much of the afternoon slide was due to profit-taking, and how much to market-makers pushing prices down in the desperate hope of stimulating two-way trade.

US Yield ratio

US long bond yield divided by S&P composite dividend yield



But while no-one has the least confidence in the rally continuing, the fund manager's problem remains unsolved. Having started the year massively liquid – not helped by January's heavy dividend receipts – the institutions are distinctly short of options. Property was last year's play, and sits badly with high interest rates: gilts are a source of income, not a home for funds: and foreign investment looks perverse when overseas investors are suddenly alive to the attractions of London. Cash looked attractive only ten days ago, but 12 per cent interest can be beaten by a capital gain of just 1 per cent a month, and the FT-SE is up 14 per cent this month already.

Wall Street, meanwhile, gave London no guidance at all yesterday. The received wisdom is that New York's rally is yet more precarious than London's; but for what it is worth, the strength of the US bond market in the past two months makes US equities look almost cheap in yield terms. One might hazard a guess that the UK market will end the first quarter somewhere around its present level; but as to what happens in the meantime, and when, there is no saying.

Ultramar

Ultramar has been a bid stock for as long as anyone can remember; and with a couple of Canadian predators, backed by a wealthy French bank, joining the ubiquitous Sir Ron Brierley on the share register, there is a better chance that one day some one will make a run at the company. But if yesterday's modest move in the Ultramar share price is any guide, punters will probably have to wait awhile.

For a start, the Canadian stake of less than 5 per cent is not much of a bargaining *counter*; and while a willing Canadian buyer of Ultramar's Canadian assets would make a break-up far more acceptable politically, it is hard to see a single buyer wanting a bit of Indonesia and the North Sea, plus a US West Coast refinery. This is perhaps why there is talk of an eventual consortium bid. But getting agreement among consortium members when a contested bid turns into an auction can be tricky. Ultramar still has a chance if it can get its share price up, but so far it has not been particularly successful.

Fund managers

If the recent sharp rally in global share prices is not followed by an equally savage collapse, it will have done wonders for the earnings of the quoted UK fund managers. Their fixed cost operations are highly geared to the level of the market, with higher share prices flowing through directly into fatter fees; Kitcat & Aitken, for example, estimates that a 20 per cent rise in the market could boost the earnings of Henderson Administration and GT Management by 80 per cent.

But the rally has almost certainly come too late to save the independence of GT Management, one of the last sizeable independent UK fund managers. Unlike Mercury Asset Management and M&G, it is not protected by powerful shareholders, and its recent financial performance has been miserable. Although it is less exposed to the depressed unit trust industry than some other managers, the build-up of its undoubted expertise in international markets – particularly Japan – resulted in a very high cost base – one of the reasons why its first half profits fell by more than two thirds. Meanwhile, senior management upheavals and lacklustre investment performance have left the group vulnerable to predators.

Having said that, GT Management and the dwindling band of other independent quoted fund managers have their attractions. Although margins may be under pressure, the cash flow from fund management is far more reliable than that of the broking business, and the appetite for capital is far less demanding. For domestic financial institutions such as building societies and smaller life companies, which have the distribution capabilities but lack the investment skills, there are good reasons why a fund management company would fit nicely inside their growing financial empires. However, GT Management's suitor is almost certainly a European financial institution which is prepared to pay a fancy price in order to be a player in one of the world's major fund management centres.

MB/Carnaud

The progress of the MB/Carnaud merger has been complicated by the marauding attentions of Mr Elliott, but is evidently going ahead regardless. It is not wholly clear what Elders hopes to achieve. A bid would never have been feasible with Scottish & Newcastle still under review, and while it can be argued that Carnaud is getting MB's packaging business cheap, the neatness of the fit makes it unsurprising that Mr Elliott has yet to find a counter-bidder. The device of buying a blocking stake in MB warrants must have seemed neat at the time, but it is MB's contention that since assent from the warrant-holders was not strictly part of the scheme of arrangement, it can at a pinch be dispensed with.

Assuming the deal goes through, MB's shares might look on the cheap side. Warburg calculates the present 280p share price as made up of 157p of Carnaud equity and 70p of cash on completion, leaving 53p – 7 times current earnings – for the radiator and cheque book business. In the light of recent shenanigans on the Paris bourse, it is scarcely surprising if UK investors feel slightly edgy about holding Carnaud shares; but of that 157p, 62p worth will be directly held – and thus disposable – after the merger takes effect. The counter-argument is that the present MB price values actual post-deal earnings at around 12 times – distinctly dear in old Metal Box terms. But that, after all, is negative thinking in the context of 1992.

Yugoslav party chief warns of civil war

By Judy Dempsey in Belgrade

CIVIL WAR was threatening Yugoslavia, Mr Stipe Suvar, the country's Communist party leader, said yesterday, calling for an end to what he termed the bitter political infighting of the past year.

The 52-year-old leader from the northern republic of Croatia was speaking at the opening session of the three-day meeting of the party's central committee called to discuss, yet again, the country's political and economic crisis.

In remarks clearly aimed at Mr Slobodan Milosevic, Serbia's party chief who last week demanded a change of national party leader, Mr Suvar said the country must choose between "pluralism" and "neo-Stalinism." In particular, he said the party leaderships in the republic of Serbia and Vojvodina were "fanning divisions between the party and state leadership of the country's federal units."

Vojvodina is a northern province, constitutionally linked to Serbia, where demonstrators loyal to Mr Milosevic last year forced the resignation of the provincial party committee and ensured its replacement by pro-Milosevic politicians. A similar demonstration brought down the leadership of Montenegro, prompting charges of "mob rule" by critics of Mr Milosevic.

The behaviour of the Serbian party chief has led to a backlash from the republics of Croatia and Slovenia, and Mr Suvar, once highly unpopular there, is now gaining support.

The belief is that unless some of these republics rally around the party leadership, Mr Milosevic is likely to gain further ground by adopting similar tactics against them.

This is the issue which is now dominating the plenum. And one of the crucial items on the agenda is whether it will decide to convene an extraordinary party congress or bring forward the regular congress, due early next year.

Vojvodina, with Serbia's backing, is calling for an extraordinary congress. If the central committee agrees to this, it has three months to decide on the exact timing.

Mr Milosevic is likely to gain support at such a congress because of the way in which delegates are selected: the number sent from each of the six parties and two provinces would be in proportion to their number of party members.

● Global Motors, US distributor of Yugo cars, said on Monday it had filed to reorganise under Chapter 11 of the bankruptcy code, Reuter reports from New Orleans.

Global, based in New Jersey, will be taken over by Zastava, the Yugoslav producer of the low-priced cars, which will continue to import them.

Global owns 97 per cent of Yugo America, which was formed just over three years ago to distribute Yugos in the US. Global owes Yugo dealers $2.5m, mostly as reimbursements for rebates. Some 120,000 Yugos have been sold in the US.

Steel output likely to slip in 1989

By George Graham in Paris

STEEL production in the industrialised nations rose strongly last year but a downturn is likely in 1989, according to the Organisation for Economic Co-operation and Development (OECD).

The Paris-based organisation, which includes 25 of the world's main industrialised countries, says raw steel output rose in 1988 by nearly 9 per cent from the 351m tonnes produced in 1987.

This year, however, demand from the US construction industry and from the car industries of Europe and Canada is expected to decline, and the high level of steel stocks built up over the past year is likely to be reduced, the OECD says.

Total demand in the OECD area for steel products rose last year by 11 per cent from 1987's 365.8m tonnes of raw steel equivalent. Demand growth was especially strong in Japan (up 16 per cent), the EC (up 9 per cent) and the US (up 8 per cent).

In 1989, however, demand is forecast to fall by 3.5 per cent throughout the area, with a 6 per cent drop in the US, 3.5 per cent in Japan and 2 per cent in the EC.

Imports of steel by OECD member countries rose by 11.5 per cent last year from 50m tonnes in 1987. Japan's imports *rose by 50 per cent* from the modest level of 5m tonnes in 1987. OECD exports dipped by 1 per cent from 75.6m tonnes in 1987, but the US increased its exports by 65 per cent, from the low level of 1m tonnes in 1987.

London equities rally enters third week

Continued from Page 1

stocks, especially cars, in Frankfurt, which left the market 1 per cent lower. Paris was depressed by another bourse employees' strike and Milan by political tensions.

Some of the London market's pundits had expected prices to fall yesterday as investors moved to realise some of last week's gains from trading, but their pessimism was unfounded. Big City investment institutions continued to buy shares and prices were pushed higher. More than a 1bn shares were traded yesterday, about the same as on Friday, but well up on volumes seen last year.

Equity analysts said that share prices had risen strongly because of a significant change in sentiment towards the London market by its principle investors, the major investment institutions, such as pension funds and insurance companies. Warburg Securities estimates that these institutions will have a cash inflow this year of £22bn ($38.72bn), of which £8.5bn will be dedicated to the equity purchases.

The London market is seen as having been cheap relative to other major financial centres with the exception of Japan, which appears to trade on different and higher standards of valuation than in Europe and North America.

Goldman Sachs, the US securities house, said the London market was selling on a price to earnings ratio of 10.5, some 10 per cent below the world p/e, excluding Japan. At the same time, the London market's dividend yield of 4.6 per cent is 40 per cent above the world dividend yield, excluding Japan, and 20 per cent above the dividend yield in Continental equity markets.

Mr Richard Jeffrey, economist at Hoare Govett, the securities house, said the rally had been driven largely by technical factors. "I don't think it is panic but I think it shows an awareness that a high degree of cash in funds could led to a very significant under-performance," he said.

Underlying the rise was optimism that the Government's high interest rate strategy was working, he said.

"It is now obvious that demand is slowing. Fund managers are willing to take on the bet that a slowdown will moderate inflation and the current account," said Mr Jeffrey.

Sentiment was boosted on Friday by better than expected trade figures for December, which encouraged the belief that base rates had peaked at 13 per cent.

Dr Gerard Lyons, chief UK economist at SBCI Savory Milln, said the equity market was focusing on positive aspects of the Government's policies.

He warned: "Inflationary pressures are still going to be picking up. Exports will still be hit by sterling's strength and the current account deficit will remain large. In addition, corporate profitability will be squeezed."

Mr Gavyn Davies, chief UK economist with Goldman Sachs, said that the UK market's rapid rise made it vulnerable to a piece of bad economic news, but that the market had reached new levels on which it was likely to build.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	S	13	55	Malta	C	13	55	Rhodes	C	11	52
Algiers	S	14	57	Edinburgh	C	09	48	Manchester	C	10	50	Rio de J'o	F	37	98
Amsterdam	F	07	45	Faro	F	15	59	Manila	C	27	81	Rome	F	14	57
Athens	C	11	52	Florence	S	17	63	Melbourne	C	20	68	Salzburg	C	-3	27
Bahrain	F	17	63	Frankfurt	C	00	32	Mexico City	F	24	75	San Francisco	F	20	68
Bangkok	C	31	88	Funchal	C	15	59	Miami	C	25	77	Seoul	C	01	34
Barcelona	S	14	57	Geneva	F	05	41	Milan	S	09	48	Singapore	F	31	88
Beirut	F	19	66	Gibraltar	F	15	59	Montreal	C	02	36	Stockholm	F	06	43
Belfast	C	09	48	Glasgow	C	11	52	Moscow	C	03	37	Strasbourg	C	00	32
Belgrade	D	-2	28	Guernsey	S	08	46	Munich	C	-4	25	Sydney	F	24	75
Berlin	C	08	46	Helsinki	F	05	41	Nairobi	C	23	73	Taipei	C	23	73
Biarritz	F	11	52	H. Kong	C	16	61	Naples	S	13	55	Tangier	F	14	57
Bombay	S	34	93	Innsbruck	S	05	41	Nassau	F	27	81	Tel Aviv	F	17	63
Bordeaux	S	07	45	Inverness	C	11	52	New Delhi	F	23	73	Tenerife	F	20	68
Brussels	S	06	43	Islamabad	C	19	67	New York	F	11	52	Tokyo	F	13	55
Budapest	C	-2	28	Istanbul	C	07	45	Nice	S	15	59	Toronto	C	06	43
B. Aires	R	27	80	Jakarta	C	32	90	Nicosia	F	11	52	Tunis	F	15	59
Cairo	F	16	61	Jersey	S	07	45	Oporto	S	14	57	Valencia	S	13	55
Cape Town	S	29	84	Jo'burg	F	26	79	Oslo	F	12	54	Venice	S	10	50
Caracas	C	25	77	Lima	F	28	82	Paris	C	10	50	Vienna	C	-2	28
Casablanca	S	17	63	Lisbon	F	11	52	Peking	S	03	37	Warsaw	C	01	34
Chicago	C	02	36	London	C	08	46	Prague	S	03	37	Washington	C	08	46
Cologne	S	05	41	Los Angeles	F	21	70	Reykjavik	C	-1	30	Zurich	C	-1	30
Copenhagen	F	08	46	Luxembourg	Fg	00	32								
Corfu	F	12	54	Madrid	S	09	48								
Dallas	Fg	01	34	Majorca	F	15	59								
Dublin	C	09	48	Malaga	C	15	59								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Gorbachev seeks international support

Continued from Page 1

Moscow in October, is likely to discuss deepening economic co-operation. However, although West German exports to the Soviet Union rose sharply last year from the low level of 1987, there is little immediate prospect of a big jump in overall bilateral trade, which has been in the doldrums since 1984.

Mr Gorbachev, who has been to West Germany only once before, is expected to visit at least one federal state outside Bonn. In view of Mr Gorbachev's popularity in the Federal Republic, Bonn's allies may fear that he will use the publicity generated by the visit to undermine Nato's defence efforts for the 1990s.

However, according to Mr Peter Danylow, a Soviet expert at the Bonn-based German Society for Foreign Affairs, Mr Gorbachev is likely to concentrate more on improving general political relations rather than unveiling any new disarmament initiatives.

Mr Danylow also suggested that one of the main points of discussion would be to improve routine daily working conditions of West German companies trying to do business in the Soviet Union.

Officials in Bonn yesterday cautioned against expecting any breakthrough on the economic front. Underlining that the Soviet Union's payments difficulties had been exacerbated by confusion over economic restructuring, one official said: "It's an organised chaos. The people in Moscow don't know what they can do. Under old Brezhnev, they at least knew that."

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday January 31 1989

INSIDE

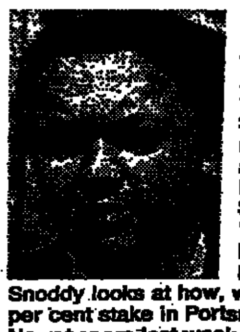
Daimler slips into the pilot's seat

News that Daimler-Benz, West Germany's biggest industrial company, is to take a controlling stake in Messerschmitt-Bölkow-Blohm (MBB), the country's leading aerospace group, brings a prolonged period of talks and occasional recriminations near to an end. The once important role played by the federal government has turned into more of a walk-on part and, while many organisational details remain to be solved, the broad lines of the takeover are becoming clear, reports Haig Simonian. Page 20

Not-so-cosy chat over the cocoa

The International Cocoa Agreement remains on the critical list. Talks in London last week brought producing and consuming country members no closer to agreement on the key issue of the price level the pact should seek to defend, or on the equally contentious problem of mounting arrears on levy contributions by producing members. All delegates could agree on was to meet again next September in the hope of salvaging something from the pact. Page 30

Sunday Sport press baron found in stock market



Mr David Sullivan (left) is known in Britain as the publisher of "girlie" magazines, the man who took Lord Stevens' Star newspaper down market for a few weeks and the proprietor behind exclusives in the Sunday Sport such as "Second World War Bomber Found On Moon". Raymond Snoddy looks at how, with his purchase of a 5 per cent stake in Portsmouth and Sunderland Newspapers last week, a new, previously-hidden David Sullivan has emerged — David Sullivan the investor. Page 28

UK tops the markets rostrum

The UK was at the forefront of world equity market gains last week, with its 4.6 per cent climb strongly outperforming the advance of 2.15 per cent in the FT-Actuaries World index. Singapore, Ireland and the US were the runners-up, while New Zealand, Italy, Spain and Denmark were the only markets to lose ground over the week. Page 42

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Deut. Babcock	165.8	+	.8
Falls			
Daimler Benz	686	−	18.5
Linde	768	−	17
Lufthansa	159	−	5.5
Vlag AG Aktien	280	−	8
Volkswagen	310.5	−	13

NEW YORK ($)			
Rises			
Euroseco	8¼	+	1⅞
Polaroid	41¼	+	1¼
USX	32¾	+	⅝
Falls			
AT & T.	30¾	−	¾
Fairchild Inds.	14⅞	−	1⅞
Texaco	50⅜	−	4⅛

PARIS (FFr)			
Rises			
Imetal	342.5	+	10.5
Metaleurop	128.7	+	.47
Pechiney	434	+	9
Falls			
BSN	690	−	6
Gen. Occident.	939	−	5
Perrier	1740	−	35

TOKYO (Yen)			
Rises			
Hakone Tozan	2190	+	220
Kanto Steel	1080	+	101
Tokyo Sokuhan	1140	+	140
Falls			
Katakura Inds.	2520	−	140
Subaru Ent.	1080	−	80
Tokyo Tungsten	1550	−	90

New York prices as at 12.30pm.

LONDON (Pence)			
Rises			
Allied-Lyons	480	+	16
BAT Inds.	882	+	18
Bass	915	+	23
Beecham	546	+	13
Bennett Fish	126½	+	14½
Blue Circle	491	+	11
Body Shop	545	+	16
Brit. Telecom	280	+	9
Century Oil	213	+	13
Glaxo	1194	+	24
GUS A	1030	+	23
Hillsdown	270½	+	7½
Iceland Frozen	317	+	11
ICI	1139	+	6
Lloyds Bk.	373	+	18
Northern Foods	300½	+	7½
Prudential	178	+	5
Rotork	211	+	8
Warburg (S.G.)	335	+	16
Falls			
Ward White	242	−	12

'Amnesty' hits Texaco stock

By James Buchan in New York

STOCK in Texaco, the third-largest US oil company, tumbled sharply yesterday as disappointed takeover speculators dumped several million of the company's shares on the market.

The flurry of sales, which pushed Texaco's share price down by almost 10 per cent at one point in the morning, was a sharp response to Sunday's unexpected armistice between Texaco and Mr Carl Icahn, its main shareholder and irritant to management. Analysts and arbitrageurs say that the agreement makes Texaco most unlikely to be taken over in the near future.

"This was an arb stock because Icahn was in there as a catalyst," said an arbitrageur yesterday. "Now it's an oil company in which Icahn just happens to have shares."

Under the agreement, which was completed after negotiations that lasted all Saturday night, Mr Icahn promised to stop pushing for changes at Texaco and signed a seven-year "standstill" agreement not to buy more stock or launch a takeover bid. Mr Icahn also agreed to restrictions on how he disposed of his stock.

In return, Mr James Kinnear, chief executive of Texaco, said he would pay out $1.9bn of the cash he had raised from recent asset sales in special dividends to shareholders and spend a further $500m to buy back stock.

The deal appears to end a year of great uncertainty for Mr Kinnear. Mr Icahn, who started building his 16.6 per cent stake in late 1987, launched an unsuccessful bid for control of Texaco last June and has repeatedly prodded the company into selling off businesses and raising cash.

"I believe that these moves by Texaco are a perfect illustration of the precept that a clear and closer relationship between active ownership and management will increase productivity," Mr Icahn said.

However, the deal perplexed and infuriated Wall Street's arbitrageurs, who were banking on Mr Icahn putting together a takeover for the oil company. "He's lost $200m of his own money today," said an arb yesterday morning when Texaco stock was at $50, down $4¼.

Other analysts were not surprised that Mr Icahn had buried the hatchet. They say the $1.9bn in special dividends, which amount to $8 a share in cash and securities, will yield Mr Icahn about $320m or roughly his cost of financing his Texaco position.

Carl Icahn: seven-year 'standstill' agreement

Ultramar claims it is target of takeover plan

By Steven Butler in London

ULTRAMAR, the UK oil group, yesterday said it was the target of a possible takeover bid by a consortium being put together by Noverco and Unigesco, the Canadian-based companies, and Banque Paribas.

Mr David Elton, an Ultramar director, said that the Canadians, who hold a 4.27 per cent stake in Ultramar, had contacted several international oil companies and financial institutions to form a consortium for a bid, which analysts said would have to exceed £1.2bn to succeed.

Mr Elton declined to name the companies which had been contacted and Canadians could not be reached for comment.

Any bid would presumably result in a division of Ultramar's assets. These include natural gas production in Indonesia, and a portfolio of North Sea exploration and production assets.

Ultramar revealed in early December that the Canadian companies had accumulated the 4.27 per cent stake. Since then Ultramar shares have risen strongly and yesterday added a further 2p to close at 310p.

Mr Marcel Dutil, Noverco chairman, has made clear the group would like to acquire Ultramar's oil refining and marketing businesses in eastern Canada, although a bid for the entire group is thought to be beyond the resources of the Canadian companies.

Following a prompting by the Takeover Panel last week, the Canadian group on Friday issued a statement saying that it was still considering its options in regard to the share holding. Mr Dutil was understood to be in London at the weekend.

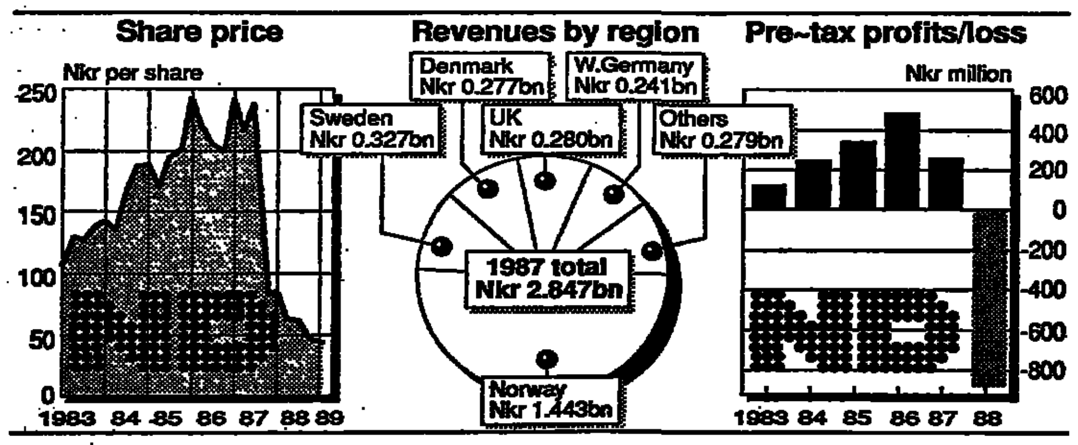
The notion that a consortium was being formed was greeted with some scepticism yesterday among analysts in the City.

Sir Ron Brierley, the New Zealand businessman, holds a 14 per cent stake in Ultramar, which he acquired through Brierley Investments in 1986. Sir Ron is thought interested in finding a way to sell the stake.

Premier Consolidated Oilfields, the UK independent oil company, holds 2 per cent of Ultramar, and is understood to be interested in Ultramar's UK and Indonesian operations, both of which would be large acquisitions for Premier.

Ultramar, said yesterday that it would resist any proposal which did not reflect the company's assets and prospects. It said Ultramar had an "effective strategy for the development of its core businesses which provide an excellent balance both geographically and between its upstream and downstream activities."

Lex, Page 18; Background, Page 26



The waning of the wonder of Norway

Alan Cane and Karen Fossli look at mistakes made by the once high-flying Norsk Data

It was once the wonder of Norway, the brightest star in the country's business firmament. But now, Norsk Data, the mini-computer manufacturer, is in deep trouble – and its predicament underlines the dangers of not adapting quickly to the industry's rapid pace of change.

Norsk Data's 1988 results, released last week, showed the group plunging into pre-tax losses of NKr871m ($131m) on a turnover of NKr2.9bn ($435m). It announced drastic plans, including the shedding of 800 jobs, 20 per cent of the workforce, to return it to profitability.

The computer industry is being shaken by waves of change more intense than any since the advent of the modern computer in the 1950s. Simply keeping up with these changes is stretching the resources of most computer manufacturers; where a company faces additional hazards – a weakness in its home market, for example, or a decline in any of its niche markets, the result, as in Norsk Data's case, can be spectacular reversals of fortune.

Its problems stem from a trio of factors: placing too great a reliance on the Norwegian computer market; failing either to comprehend or exploit technological changes which are putting intense pressure on margins; and not responding rapidly to changing customer demands for standard, rather than proprietary, computer systems.

The question now is whether the company has the strategy and the resolve to recover unaided; the alternatives seem to be absorption into a larger group or a gradual decline into the Nordic twilight, probably in the role of a medium-sized systems house.

Industry analysts, without exception, are gloomy about the company's prospects, arguing that it is applying a financial and technological band-aid too late.

Norsk Data's success in the past, rather like that of Nixdorf of West Germany with which it is frequently compared and which is facing its own, somewhat similar, problems, has been based on excellent, cost-effective technology and on a relationship with its customers that is close to partnership.

However, the company has never made the leap from national computer champion to global player. The Scandinavian market still constitutes some 70 per cent of its business. That market is now perilously weak, due to the fall in crude oil prices, and Norsk Data executives accept it is unlikely to show much of a recovery in the foreseeable future.

One of ND's niche strengths, for example, is the newsprint industry. In 1986 it notched up sales of NKr100m, representing a 90 per cent market share in Norway. Last year sales were only NKr33m, despite an unchanged market share.

In the UK, one of its fastest growing markets, the company took over the troubled word processing company Wordplex. However, much of the year, says managing director Mr Steve Bennett, was given over to consolidating the merger of the two organisations.

These difficulties aside, analysts say the company's failure to move quickly enough to exploit changes in newly-emerging computer technology is much more serious and may eventually prove its undoing. Companies making minicomputers – systems for small and medium-sized businesses – are being forced by a combination of hardware economics and customer pressure to move to standard computer designs to which they add value by building in special facilities.

The computers are built from high-performance, standard microprocessors running the industry standard operating system Unix.

These high-performance microprocessors are of "risc" design, simple chips that trade off blinding speed and low-cost manufacture against complexity in the Unix operating system. Systems of this design offer powerful advantages for customers who are able simply to link together computers of different manufacture and run the same applications software on any of them.

Now a number of governments and armed forces are insisting on Unix capability as a condition of tendering for contracts. ND's lack of capability in this area has already cost it Nkr100m in Swedish Government contracts.

How could a company so technologically competent have made such a serious error?

Three years ago, Mr Rolf Skar, Norsk Data's founding president, and his senior executives visited Information Technology (ITL), a small UK-based minicomputer company he was thinking of acquiring. ITL had become convinced Unix was the way of the future but its views fell on deaf ears.

Unix was cripplingly slow, the ND executives claimed, and had glaring faults including serious lack of data security. The proposed takeover came to nothing. ND's criticisms were accurate, but the advantages of Unix were so great that users were prepared to live with the system.

Mr Skar said this week that he had foreseen the importance of Unix as early as 1986 but that to have made the changes that early would have been unthinkable in a company that was one of the world's most profitable computer businesses: "Some of this we saw coming but there was no way we were going to change," he confessed.

A plan to reorganise ND was initiated as early as 1987, but it was not until last December that the size of the investment needed, some NKr600m, had been quantified.

It is possible to argue that ND could not have changed its product strategy three years ago because there were far too many orders on its books for it to put its customers through the trauma of change to another computer design.

However, the US computer manufacturer Hewlett Packard did just that three years ago, changing the fundamental design of its computers to one based on risc microprocessors. The first of its new computers are now being delivered and they are being given high marks from customers for power and cost-effectiveness.

Norsk Data has finally bitten the Unix bullet, but most of its competitors are already there. Its emergency measures include establishing a new subsidiary, Dolphin Computers, to make industry standard computers based on risc chips from Motorola, the US chip manufacturer, and a renewed emphasis on forming partnerships with customers.

The company is cash-rich, but its hopes of growth, given its weak home market, must be slight.

Norwegian law, which used to forbid foreign organisations from taking majority holdings in companies such as Norsk Data, has been relaxed as a result of the effect of the oil price on the Norwegian economy. So a takeover or merger is a distinct possibility as an answer to the company's problems. The buyer would gain customers and distribution channels throughout Scandinavia and access to a wealth of computer systems experience.

Dutch insurer plans $440m US purchase

By Laura Raun in Amsterdam

NATIONALE-Nederlanden, the biggest Dutch insurance company, is buying Southland Life Insurance for $440m in cash from American Brands, the US tobacco and consumer products group.

The planned takeover is the largest Dutch acquisition in recent memory and highlights the Dutch insurance industry's extremely acquisitive nature.

The deal is also Nat-Ned's third recent acquisition. Last week it announced the purchase of two Canadian insurance companies, Groupe Commerce Compagnie d'Assurances and Compagnie d'Assurances Bellair.

Southland, owned by American Brand's Franklin Life Insurance, will increase the US contribution to Nat-Ned's total premium income to one-third from 23 per cent now.

Southland, based in Plano, Texas, is solely involved in life assurance and is expected to complement Nat-Ned's Life Insurance Company of Georgia and "a close co-operation between the two companies is envisaged."

Southland has assets of $1.1bn, total turnover of $330m in 1988 and licences to operate in 48 states and the district of Columbia. Nat-Ned, had assets of $40bn last year and total revenue of Fl 17.2bn ($8.1bn) but no figures have been released for 1988.

Our Financial Staff add: The last major Dutch acquisition in the US was also in the insurance sector. In 1986, Aegon paid $364m for Monumental Corporation of Baltimore. American Brands also yesterday announced a slight fall in fourth quarter net profit from operations to $128.9m or $1.35 a share from $131.4m or $1.16.

In the latest quarter, a $900,000 loss from discontinued operations made final net $128,000,000 or $1.34 a share. A year earlier, $24.3m of income from discontinued operations made final net $155.7m or $1.38.

For the year, American Brands reported net from continuing operations of $540.8m or $5.44 a share, against $501.8m or $4.42 in 1987. In 1988, $39.2m of income from discontinued operations made final net $580m or $5.84. In 1987, $20m of income from discontinued operations made final net $521.8m or $4.60. Revenues last year were $12bn, against $10.1bn in 1987.

MB warrant holders' meeting on Carnaud to go ahead

By Maggie Urry in London

MB Group, UK packaging, printing and central heating equipment concern, is going ahead with a meeting tomorrow of its warrant holders – called in connection with plans to merge its packaging business with Carnaud of France – despite the possibility that Elders Investments will block the proposals being put to the investors.

Elders Investments, a subsidiary of Elders IXL, the Australian brewing, finance and pastoral group headed by Mr John Elliott, expressed doubts last Friday about the merger with Carnaud, a leading French packaging company.

However, MB has legal advice that even if the proposals being put to warrant holders are defeated, this will not affect the company's ability to carry through the Carnaud deal. Barings, MB's merchant bank adviser, said yesterday it could see "nothing to stop us doing that at the moment."

Elders Investments holds 4.2m warrants, over 25 per cent of the 16.6m in issue. The resolution being put to the holders – which would allow them to trade in their warrants for paper in the post-merger businesses – requires acceptance by 75 per cent of votes cast. Elders Investments also holds 5.6 per cent of MB's ordinary shares.

Barings argues that the passing of the proposal to warrant holders is not a condition of the scheme of arrangement by which the merger will be effected. It is a condition of the merger agreement, but this could be waived, Barings said.

Representatives of Elders Investments met Mr Brian Smith, chairman of MB Group, and Mr Murray Stuart, group chief executive, on Friday afternoon to express doubts about the merger. Yesterday Elders Investments said those doubts had not been allayed. It said it planned to attend the warrant holders' meetings but had not yet decided how to vote.

Mr Elliott said on Friday that he was not convinced that the merger proposal was in the best interests of shareholders. However, he said Elders would not itself bid for MB, though it might submit other proposals.

The proposal to warrant holders would allow them to exchange their existing warrants for warrants to buy shares in the post-merger MB Group or to subscribe for MB shares at 157p ($2.76), instead of the current 192p exercise price, until February 20. MB shares fell 3p to 280p yesterday.

Lex, Page 18

INTERNATIONAL COMPANIES AND FINANCE

Dutch group obstructs Hollandsche takeover

By Our Financial Staff

VOLKER STEVIN, the Dutch construction group, said yesterday it had strengthened its anti-takeover defences following indications that Hollandsche Beton Groep, a rival body, is building up a formidable stake in the company.

The move comes as Hollandsche, the largest Dutch construction group, confirmed its stake in Volker's total common stock outstanding had grown to around 40 per cent by the end of December and that it intends to buy more Volker stock in the future.

Hollandsche Beton said: "Our intention is that we would like to work very closely with Volker." But it could not comment on whether it sought a full takeover of its rival the Netherlands' second largest construction group.

Volker charged that HBG was intent on acquiring all of the company. The measures announced yesterday include granting a two-year option to buy up to 7.5m authorised but yet unissued vote-carrying preference shares to the existing management-controlled trust that already holds 2.5m of the shares. If the options were exercised, the trust would in effect control 67 per cent of all voting power in the company.

Also, in the event of a bid by HBG, Volker would transfer legal ownership of three of its divisions to three special foundations outside the company.

Dyno to raise foreign stake limit to 33%

By Karen Fossli in Oslo

DYNO INDUSTRIER, the diversified Norwegian group with main interests in explosives and chemicals, is to widen to one-third the foreign ownership in the company following a recent Norwegian ruling which defined it as a Norwegian company.

Under previous legislation for foreign shareholdings in Norwegian companies, Dyno was classified as a foreign company because of a 51 per cent stake in the company held by Norsk Hydro. Although Hydro is Norway's largest publicly quoted company, it was previously classified as foreign because of its high foreign ownership of its shares.

The earlier limit on foreign shareholdings in Dyno was 20 per cent, and this will be raised to 33.3 per cent. Foreign interests currently hold about 8 per cent of the company's stock.

Dyno also announced it would publish its results quarterly from now on – in line with US practice – instead of every fourth months.

The company has an annual NKr5bn ($746m) turnover, and after the first eight months of 1988 it posted net profits of NKr182m.

Finnish group plans Spanish paper venture

By Olli Virtanen in Helsinki

ENSO-GUTZEIT, one of Finland's leading forest products groups, has signed a letter of intent with La Papelera Espanola, the Spanish paper producer, on building a large paper mill in Spain. The project would cost about $400m.

The new paper mill is planned to produce 200,000 tonnes of wood-containing printing and writing papers annually. La Papelera is Spain's biggest producer of these paper grades.

Daimler taxis down the MBB takeover runway

Haig Simonian on a West German merger plan

Three men contributed to the recent news that Daimler-Benz, West Germany's biggest industrial company, is to take a controlling stake in Messerschmitt-Bölkow-Blohm (MBB), the country's leading aerospace group, closing a seemingly endless period of talks and periodic recrimination.

Mr Edzard Reuter, Daimler's chief executive, confirmed that his company would not only be buying 30 per cent of MBB through a rights issue, as widely expected, but had also negotiated to increase its share to "just over 50 per cent" at an unspecified later date.

Mr Gerold Tandler, the Bavarian Finance Minister and MBB's supervisory board chairman, made clear that his government backed the deal. His predecessor, Mr Franz-Josef Strauss, who died in October, had been a doughty campaigner for a continuing strong link between MBB and its native Bavaria, a connection institutionalised in the large stake in the company held by the state and state-owned organs.

Finally, Mr Hanns Arnt Vogels, MBB's chief executive, disclosed what Daimler's new role in the group might mean in organisational terms, notably regarding the likely carve-up of its civilian airliner activities.

All that was missing was a contribution from Bonn. The Federal Government has been closely involved in the MBB-Daimler saga, but Bonn's role has turned into more of a walk-on part since Daimler gained the financial guarantees it sought late last year and the ruling centre-right coalition settled its own last-minute internal differences.

While stacks of organisational details remain to be solved, the broad lines of the takeover are becoming clear. Four main areas are involved.

● Ownership: MBB's shareholder structure is notoriously complex, but Daimler has managed to reach broad agreement with most of its private-sector shareholders to sell out.

Earlier this month, Allianz, Europe's largest insurance company, announced it had agreed to divest its 4.63 per cent stake, held in a jointly-owned company in which Robert Bosch and Bremen interests are also represented. Bosch itself has indicated its willingness to transfer its 4.39 per cent stake for some time. While Allianz has not revealed how much it will get, for its stake, a figure of about DM107m ($57.8m) has been mentioned.

The eventual departure of Dresdner Bank and Bayerische Vereinsbank, represented through a 50:50 holding company, will leave only Siemens and Aerospatiale as MBB's other main corporate shareholders. Both want to stay on.

While Mr Reuter said Daimler planned to gain "a small majority," its exact size could not be specified at this stage. That requires an agreement with MBB's small private shareholders like the Messerschmitt Foundation and the Bölkow and Blohm families. There could still be some "smaller stakes" after the reorganisation, said Mr Reuter.

Seemingly the simplest change has involved the shares held by Bavaria, Hamburg and Bremen, all of which have local MBB production facilities. But while the decision to reduce their joint stakes to 36 per cent appears painless, a great deal of horsetrading is likely to have taken place behind the scenes, notably regarding continued assurances that work will come their way.

● Timing: How long the reorganisation will take remains uncertain. Mr Reuter erred on the side of caution in saying that Daimler hopes to have its majority by the end of this year, or early 1990 at the latest.

Matters could move much faster. Daimler's plan has to be approved by the Federal Cartel Office in Berlin, which has four months to investigate it. That suggests a decision by April followed by action by mid-summer, a timetable underlined by Mr Vogels, who spoke of results by August or September.

Any opposition on cartel grounds is widely expected to be overruled politically.

● Structure: Almost the only foregone conclusion is that the bulk of MBB will be incorporated into Deutsche Aerospace, the new defence and aeronautics subsidiary Daimler set up as part of its major corporate reorganisation in October. Deutsche Aerospace already takes in Dornier, the small aircraft manufacturer in which Daimler has a majority stake, existing defence activities and some of the aerospace business handled by AEG.

Earlier this month, Daimler provided some of the top names to go with its new subsidiary. Mr Jürgen Schrempp, previously head of the group's goods vehicle activities, will be Deutsche Aerospace's chief executive, with Mr Johann Schäffler, the boss of Dornier, as his deputy.

Some signs of the future shape of MBB are already clear. Notably, Hamburg is to be the base for all future civil aircraft activities, including Airbus production. A new Hamburg-based company, capitalised at around DM1.6bn and whose name and precise legal structure has still to be revealed, will have MBB and Kreditanstalt für Wiederaufbau, a federal-government owned bank, as its shareholders with 80 per cent and 20 per cent stakes respectively.

Simplified MBB ownership structure

Percentage shares	Now	After rights issue and reorganisation (estimate)
Daimler	–	50-54
State of Bavaria	24.06	16.8
Hamburg	18.22	12.2
Bremen	10	7
Fides*	20	10-14
Allianz	4.63	–
Robert Bosch	4.39	–
Dresdner Bank/Bayerische V.bank‡	10	–
Messerschmitt Stiftung	7	?
Ludwig Bölkow	1	?
Blohm family	0.59	?

* Holding company for Aerospatiale and Siemens stakes (10.68 and 9.32 per cent respectively) ‡ Through joint holding company

● Cost: Taking a majority stake in MBB will cost Daimler about DM1.7bn, according to Mr Reuter. Although his group has plenty of cash in hand – some DM15.4bn in cash and equivalent – a rights issue is due. The prospect of a large capital-raising, first suggested late last year, has periodically depressed Daimler's share price, and did precisely the same after Mr Reuter's admission, which went rather further than previous Daimler statements.

More interesting in the longer term is what effect the MBB takeover will have on Daimler's overall profitability. Net group earnings in 1988 are expected to fall from the DM1.78bn made in 1987.

Some brokers expect that the rights issue, along with the known earnings pressure on Daimler and the much lower margins at MBB, will inevitably lead to a dilution.

Their estimates make little allowance for the inevitable disruption and the loss of management time that will be spent digesting and reorganising MBB to fit into Deutsche Aerospace. Hence the widely-held view that, while perhaps an excellent long-term decision by Daimler, the prospects for flying on with MBB in the shorter-term could be choppy at best.

INTERNATIONAL COMPANIES AND FINANCE

Polaroid in $1.1bn share repurchase

By Anatole Kaletsky in New York

POLAROID, the beleaguered US photographic company which has been fighting off a $2.8bn takeover bid from Shamrock Partners, yesterday announced a $1.1bn share repurchase programme and a $300m white-knight investment from a New York fund management group.

Polaroid said Corporate Partners, an institutional investment fund managed by Mr Lester Pollack and Mr Ali Wambold, had bought $300m worth of newly-issued preferred stock, convertible into 6m common shares at $50 a share.

The company said it would use the proceeds of the stock issue, along with corporate funds and borrowings from a bank syndicate led by Morgan Guaranty, to buy back $1.1bn of Polaroid's common stock.

Polaroid, which has 71.6m shares outstanding, said no decisions had yet been taken about the price or timing of the shares repurchase. At yesterday morning's price of $40¼ a share, up $¾, the $1.1bn would buy back 27.3m shares or roughly 38 per cent of the company's common stock.

But Polaroid previously announced plans to increase its outstanding common stock by 14 per cent in connection with an employee stock ownership plan. In addition, its capitalisation will be boosted by yesterday's issue of convertible preferred shares to Corporate Partners, making the precise effect of the stock repurchase on current shareholders difficult to assess until the full details are determined.

Polaroid said the stock repurchase would be designed to "deliver directly to shareholders a portion of the company's current value while enhancing prospects for future growth."

The repurchase may also have been designed in part to offer Shamrock Partners, a private investor group led by Mr Roy Disney, an opportunity to liquidate their investment in Polaroid at a profit if they gave up on their takeover bid.

Shamrock has offered $40 a share for Polaroid, and holds about 7 per cent of the stock. But earlier this month, its bid suffered a potentially fatal legal setback when the Delaware Chancery Court upheld Polaroid's employee stock ownership plan.

Shamrock has appealed the judgment but some analysts believe that Shamrock may be ready to give up on its takeover hopes.

In yesterday's announcement, Polaroid also held out the hope of further distributions in the future, after the settlement of its multi-billion dollar patent infringement suit against Kodak.

It has already won a judgment against Kodak but the level of monetary damages has yet to be determined. Polaroid said it was asking Shearson Lehman Hutton, its investment banker, to "explore means of using the recovery to enhance short-term value to shareholders."

Record quarter for Dow Chemical

By James Buchan in New York

DOW CHEMICAL, the second largest US chemicals group, yesterday reported another quarter of strong growth with earnings up 80 per cent in the three months to December.

The Midland, Michigan company, which is enjoying good demand and high prices for products from its ethylene, chlorine and caustic soda operations, said fourth-quarter earnings were $635m or $3.44 a share, up from $352m or $1.86 in the last quarter of 1987.

The strong performance, which marks the seventh successive record quarter, brought earnings for the year to $2.41bn or $12.82 a share before extraordinary items, nearly double the $1.24bn or $5.50 of 1987.

Mr Frank Popoff, Dow's chief executive, said all of Dow's businesses, including its industrial and consumer operations, broke records.

The quarterly performance was all the more striking because Dow booked special pre-tax expenses of $135m, including $62m to improve pension benefits to former employees. This compares with special costs of just $24m in the last quarter of 1987.

Dow's good results come as US oil companies with big chemicals operations and such bulk chemicals producers as Union Carbide are reporting strong demand.

"The business environment remains strong as we enter 1989," Mr Popoff said. "Prices are firm and demand is healthy, with most products in tight supply. The outlook is bright, with solid global demand, relatively stable costs and employees committed to quality, safety and productivity."

Hugo Boss takes over US quality clothing group

By Andrew Fisher in Frankfurt

HUGO BOSS, the West German men's fashion company whose clothes have covered actors' shoulders in such US television programmes as Miami Vice and LA Law, has moved deeper into the transatlantic market with the purchase of Joseph & Feiss, a long-established US clothing concern.

The purchase of a majority stake is a big step for Boss, whose last reported turnover was DM523m in 1987. The US company has sales of $160m.

For 1988, Baring Securities in Frankfurt estimates a 13 per cent rise to DM590m ($315m) and a further 16 per cent advance to DM685m this year.

Mr Gebhard Klingenstein, an analyst with Baring, said: "It is a good and logical step for Boss. It was always their strategy to start their own production in the US as soon as they had reached a certain size there."

Boss said Joseph & Feiss, which employs 2,000 people, had established a successful position in the tough but growing US market for quality clothing.

It gave no price for the acquisition, but said turnover of the US company should rise by 10 per cent this year and operating profits should also grow considerably. Controlled by the brothers Uwe and Jochen Holy, Boss, whose shares have been quoted in Germany for four years, has expanded rapidly in foreign markets.

In the first nine months of 1988, export sales leapt by 33 per cent to DM179m, while those in Germany stagnated at DM271m. Announcing these figures last October, Boss forecast a 10 per cent sales rise for the full year and a similar trend in profits. In 1987, net profits were 67 per cent higher at DM23m.

Boss products, especially suits and jackets, have benefited from the trend towards more formal clothing. The company set up a Brazilian operation a year ago.

Reverse at Marsh & McLennan

By Karen Zagor in New York

A SLIGHT decline in fourth-quarter and annual net earnings is reported by Marsh & McLennan Companies, the world's biggest insurance broker.

Net income for the quarter was $50.6m or 71 cents a share compared with $52.6m or 71 cents in the same period of 1987. Revenues rose to $544.4m from $514.3m.

Operating income for the quarter was $57.6m, down from $91.3m. Interest expenses increased to $6.7m from $3.2m.

For the year, Marsh & McLennan turned in earnings of $296.3m or $4.09 a share on revenues of $2.27bn. This compares with $302.1m or $4.06 on revenues of $2.15bn in 1987.

Operating income for 1988 fell to $515.4m from $550.2m. The large insurance broker's interest expense jumped to $23.1m from $13.0m.

Continuing price competition in the primary property/casualty market is seen by analysts as unfortunate for Marsh & McLennan, which as a broker receives commissions as a percentage of premiums placed. Furthermore, the bulk of the discounting is in the large accounts area, where Marsh & McLennan does most of its business.

However, some analysts expect prices to strengthen by 1990 after a modest fall in 1989.

Scott Paper earnings surge

By Maggie Urry

SCOTT PAPER, the world's largest maker of sanitary tissue, achieved record earnings in 1988 for the fifth consecutive year. Net income in the fourth quarter advanced to $80.9m, from $67.5m in the corresponding 1987 period, on sales which increased to $1.29bn, from $1.1bn last time.

This boosted income for the year to $400.9m, from $233.8m the previous year, on sales which increased to $4.7bn from $4.12bn, with over $1bn coming from the group's European businesses for the first time.

Earnings per share last year rose 71.5 per cent to $5.23 from $3.05, and excluding $1.22 of non-recurring gains, mainly from the sale of Brunswick Pulp and Paper, they increased 31.5 per cent to a record $4.01. Earnings per share for the fourth quarter went ahead by 19.3 per cent to $1.05.

Mr Philip Lippincott, chairman and chief executive officer, said the European and Pacific subsidiaries had recorded strong performances in the personal care and cleaning sector.

In the US the fourth quarter had been hit by higher manufacturing costs, increases in promotion costs and production difficulties. Mr Lippincott said some of these extra costs would be reduced and others offset during 1989.

Sales of personal care and cleaning products rose 15.1 per cent to $3.5bn in 1988. Operating profits growth in the sector was slower at 9.1 per cent to $335.3m.

Turnover of the SD Warren printing and publishing papers business rose 13.4 per cent to $1.3bn in the year, with operating profits up 34.9 per cent to $246.2m.

Mr Lippincott said demand was strong and Warren had increased its share of the market. "We are optimistic about the short-term and long-term outlook for our business."

Banco Bilbao Vizcaya ahead

By Our Financial Staff

BANCO Bilbao Vizcaya, Spain's largest bank in terms of assets, boosted 1988 consolidated pre-tax profit by 25 per cent on a pro-forma basis, helped by a surge in traditional retail activity.

BBV, formed by the merger last year of Banco de Bilbao and Banco de Vizcaya, lifted pre-tax earnings to Pta122.1bn ($1.06bn) from a combined Pta97.85bn posted by the two banks a year earlier. Loans volume rose 16 per cent to about Pta3,000bn. Operating expenses increased 7 per cent.

Return on assets climbed to 1.83 per cent from 1.68 per cent. The bank is to lift the dividend to Pta250 a share from Pta190.

BBV said equity stood at Pta470bn at the end of 1988, about Pta200bn more than the year-earlier combined figure. Equity as a percentage of total assets was 6.5 per cent.

The bank, whose shares began to trade on New York, London and Frankfurt stock exchanges in December, said it has a price-earnings ratio of 10.6, one of the lowest on the Madrid stock exchange.

BBV accounts for about 20 per cent of Spain's domestic banking market and is the country's largest. But it will be surpassed in size this year by Banco Espanol Central de Credit, the product of the planned merger between Banco Central and Banco Espanol de Credito (Banesto).

Separately Mr Mariano Rubio, Bank of Spain governor, said he was concerned about the dispute at Banesto involving the rejection of the bank's 1988 results by eight board members. He did not propose any specific action but said the dispute would be closely watched.

PC groups define new standard

By Louise Kehoe in San Francisco

LEADING personal computer manufacturers said yesterday that personal computers based upon a new 32-bit industry standard architecture will be available by the year end.

Compaq, Hewlett-Packard, Olivetti, Tandy, NEC and several other major personal computer makers said they have completed the definition of an alternative to IBM's proprietary "microchannel" design.

The new Extended Industry Standard Architecture (EISA) will improve the performance of 32-bit personal computers by enabling them to take full advantage of the capabilities of 32-bit microprocessors.

EISA represents a big challenge to IBM, which has previously created *de facto* industry standards followed by most of its competitors.

By creating their own standard, the personal computer companies aim to sidestep IBM which introduced proprietary "bus" technology, called microchannel, in its latest PS/2 computers. A computer "bus" is the part of a computer that controls the flow of data between, for example, disk drives and internal memory.

Microchannel was widely seen as an attempt by IBM to prevent the "cloning" of the PS/2 machines that was widespread with IBM's earlier personal computers.

IBM's competitors claim, however, that their alternative 32-bit bus standard enables personal computer users to preserve their investments in hardware, software and peripherals while taking full advantage of higher speed 32-bit microprocessors.

Petrofina rights

Petrofina, Belgium's biggest industrial company, is to make a one-for-15 rights issue at BFr11,000 a share to finance further growth, writes Our Financial Staff. The group plans investments of BFr65bn this year.

Sunnmörsbanken rescue snag

By Karen Fossli in Oslo

A RESCUE plan for Sunnmörsbanken, the medium-sized Norwegian commercial bank, looked likely to founder last night amid news that its losses on loans and guarantees would reach NKr571.1m for last year.

The bank is to post total losses of NKr796.4m ($118.7m) for 1988 after write-offs and extraordinary costs. Operating profits will emerge at NKr49.6m, against NKr61.4m.

Sunnmörsbanken was saved from insolvency when Norway's central bank and the Guarantee Fund of the commercial banks intervened last September as lenders of last resort.

The rescue plan, announced just two weeks ago, called for Sparebanken Möre, a large savings bank, to purchase the troubled commercial bank. Sparebanken offered to raise NKr200m to buy the bank by the issue of primary capital certificates, a relatively new financial instrument similar to preferential shares.

The plan also called for the savings bank to supply another NKr50m to Sunnmörsbanken, and make it a fully-owned unit.

Failure of the plan would represent the third unsuccessful rescue bid. It is now being suggested that a temporary solution be implemented which would call for the guarantee fund to supply between NKr800m and NKr900m to keep Sunnmörsbanken afloat until a buyer can be found.

Separately, Norway's opposition Conservative party yesterday proposed that Statoil, the troubled state oil company, be reorganised into a semi-private oil company whereby 49 per cent be offered for public subscription.

Du Pont develops 'interim' CFC gases

By Peter Marsh

DU PONT, the biggest US chemicals company, yesterday announced a series of materials based on existing substances that could provide interim replacements for the industrial gases suspected of damaging the ozone layer.

Du Pont is the world's biggest producer of these chlorofluorocarbon (CFC) gases, sales of which total $1.8bn a year.

Use of CFCs, which are thought by scientists to create holes in the ozone layer that protects the earth from damaging solar radiation, is to be substantially reduced by the end of the 1990s under an international treaty.

Du Pont said the interim replacements, which could be in production by next year, are not as "ozone-friendly" as some of the new CFC-substitutes on which chemicals companies are working for the mid to late 1990s.

The replacements, however, can be used as direct substitutes for existing CFCs in current generations of air-conditioning and refrigeration systems – one of the biggest applications areas for the gases.

Many of the CFC-substitutes on which companies are working for the longer term are not compatible with existing equipment of this kind which would have to be scrapped before the new substances could be used.

The Du Pont gases announced yesterday are based on mixtures of existing compounds called HCFC-22, HFC-152a and HCFC-124. Du Pont said the mixtures, on which it has applied for patents in several countries, have an ozone depletion potential which is only 3 per cent that of CFC-12, one of the members of the CFC family which is most widely used in refrigeration and air conditioning equipment.

Texas Eastern rebuffs Coastal

TEXAS EASTERN, the Houston-based gas pipeline operator, has rejected as inadequate a $2.6bn cash offer from Coastal Corporation, its cross-town rival, writes Our Financial Staff. Coastal launched the bid earlier this month when it made a cash tender offer of $42 per share for all of Texas Eastern's common shares.

Texas Eastern's board was told by financial advisers at a special board meeting that they should wait for a better offer.

Share buy-back by Fairchild

FAIRCHILD Industries, the US aerospace and industrial company, is to buy back all Fairchild securities owned by Soros, the company's largest stockholder group, for about $75m in cash, writes Our Financial Staff.

Earlier this month Fairchild turned down as inadequate an unsolicited $15.50 a share offer from investment group Carlyle Investors VI. Analysts said the planned buyback of about 1.6m shares from Soros would make a takeover more difficult.

The aerospace company agreed to pay about $26m for the group's common stock and about $49m for its investment units, which are not publicly traded.

INTERNATIONAL COMPANIES AND FINANCE

HK group buys Singer producer

By John Elliott in Hong Kong

THE SINGER sewing machine name is to pass into the hands of Hong Kong businessmen who want to use it to build a worldwide consumer durables distribution network. This will take place under a US$220m deal whereby SSMC of the US is to be taken over by Semi-Tech Microelectronics (Far East), a Hong Kong-based computer and trading company.

SSMC was spun off from Singer of Stamford, Connecticut, in 1986 to produce sewing machines and to manufacture and distribute consumer durables such as stoves, irons and television sets. It is 26 per cent owned by Mr Paul Bilzerian, the Florida businessman who acquired Singer a year ago.

The Hong Kong buyer is 51 per cent owned by International Semi-Tech Microelectronics of Toronto and is backed financially by Mr Stanley Ho, the Macao casino and hydrofoil ferry entrepreneur, who is the chairman.

Mr James Ting, the major shareholder and chief executive of both the Semi-Tech companies, claimed last night that this was the "largest takeover by Hong Kong of any US public company." He said he wanted the Singer company because of its "big name in distribution and its financial and hire purchase experience to enable us to become leaders in international consumer durable distribution.

"Singer did not invent the sewing machine, he invented installed payments," he said. "Instalment payment plans would bring a lot of order into China's economic life," he added, referring to a deal SSMC has recently negotiated in the southern Chinese city of Canton to set up a sewing machine joint venture.

Semi-Tech (Far East) was founded in 1982 and went public in 1987. It had a turnover last year of HK$169.7m (US$21.8m). A company statement said the takeover of SSMC, which had distribution rights in over 100 countries and revenues of more than US$1bn, would boost the Semi-Tech group's revenues to above US$1.5bn.

Semi-Tech's products include the STM range of computers and equipment. It also sells technology to companies in developing countries including China, where it has production arrangements in the southern Guangdong province's processing zone of Shenzhen near Canton. Distribution through Hong Kong of Chinese-made goods will be a target for the merged company.

Semi-Tech (Far East) is paying $170m cash plus $50m in preferred stock. The company said this amounted to $23 cash and $7 of stock per share.

David Owen adds from Toronto: Semi-Tech has surprised analysts by transforming itself from a small electronics company into a leading computer services organisation in less than a year.

The Singer deal marks its fourth acquisition since last March. Previous targets were the Datacrown division of Crowntek, the US East Coast operations of Consumers Distributing, and finally Canada Systems Group, the country's largest supplier of computer services.

As a result, the company's nine months' revenues, announced earlier this month, rose more than 18 times from a year earlier to C$220m (US$185.3m).

Our Financial Staff writes: The Singer rights for most of Europe are held separately by European Home Products, a company formed in 1986 and floated on the London market the following year.

Since his takeover of the US Singer, Mr Bilzerian has raised at least $1.7bn by selling its peripheral businesses to concentrate on its core electronics and defence operations. Last month Mr Bilzerian was indicted on 12 counts alleging securities and other fraud in connection with earlier share purchases. He denies the charges.

Bond stays firm on offer price

By John Elliott

BOND CORPORATION of Australia said yesterday it had no intention of increasing its offer to buy out minority shareholders in Bond Corporation International (BCI), its Hong Kong subsidiary, and reiterated its rejection of a HK$3.6bn (US$462m) rival bid by the local HKR Properties.

Mr Peter Lucas, BCI's managing director, said the company also had no plans to pull out of Hong Kong nor any "present intention" to sell its 50 per cent stake in the Bond Centre, a prestige Hong Kong office development.

"We are not a seller," said Mr Lucas when he adjourned until the end of next week an extraordinary general meeting of BCI called to approve an offer by Bond Corporation to buy out the 23.8 per cent minority shareholding for HK$2.20 a share.

The pricing of the offer has been widely criticised in Hong Kong. HKR Properties, a property developer and BCI minority shareholder tried to draw attention to the controversy with its own HK$3 a share bid at the weekend. This was not regarded by stock market analysts as a serious takeover attempt. But there was some speculation that Bond's own offer might be turned down by shareholders.

● Shareholders have approved a plan for Sun Hung Kai Properties, one of Hong Kong's largest property companies, to buy out the 43 per cent minority publicly held shares in New Town Securities for HK$8.30 a share.

The announcement, made last night, indicates that the Bond controversy has not harmed other Hong Kong buy-outs where majority owners are taking advantage of share prices well below net asset value to gain complete control of their companies.

● Asia Securities International, the Hong Kong investment and property company controlled by Mr Bill Wyllie, the Australian businessman, is buying a 76.8 per cent stake in Hong Kong-listed Singapore Hong Kong Properties Investment for HK$2.40 a share or HK$111m.

The company's main asset is the 25-storey Lockhart Centre in the Wanchai area of Hong Kong where a record auction price of HK$3.35bn was paid last week for a prestige plot of government land.

● Haw Par Brothers International of Singapore said yesterday it had agreed to sell its 22-storey Nathan Tower in Hong Kong for HK$135m, Reuter reports from Singapore.

Jardine sets up Asia-Pacific services unit

JARDINE MATHESON Holdings, one of Hong Kong's main trading houses, yesterday announced the creation of Jardine Pacific to bring together under one management structure its trading and services operations in the Asia-Pacific region, writes John Elliott in Hong Kong.

The company said Jardine Pacific would have annual sales of HK$10bn (US$1.3bn), excluding associates. It would bring together the publicly-quoted Zung Fu, plus shipping and aviation services, security, property management, engineering and construction and financial services.

In the group's new management structure, Jardine Pacific stands alongside Jardine Fleming and Jardine Insurance Brokers directly under Jardine Matheson.

Telco considers expanding into aerospace

By David Housego in New Delhi

TATA Engineering and Locomotive Company (Telco), India's largest vehicle manufacturing company and a leading member of the Tata group, is to explore the possibility of diversifying into aerospace, armaments and electronics.

Mr Ratan Tata, the new chairman of Telco, said: "We are looking at other options outside the automobile industry." He added that: "New policies and new looks will emerge only after March" with the completion of the current financial year.

Mr Tata, aged 51, is widely seen as the future head of the Tata empire. He took over the chairmanship of Telco in December, succeeding Mr S. Moolgaokar, who built it up as one of India's most prestigious engineering groups during more than 30 years at its head.

The possible diversification is part of a wide-ranging review of Telco's strategy initiated under Mr Moolgaokar, which has also been shifting its focus from trucks and buses to pick-up vans and cars, and from being a domestic producer to a manufacturer with a more global outlook.

Telco thus brought out a new estate car last year – India's first domestically-designed and developed automobile – aimed at the luxury end of the Indian market. Its light pick-up van, the Tatamobile, has, in three years, captured over 20 per cent of the Indian market for light commercial vehicles.

As a potential supplier to the worldwide vehicle industry, Telco is negotiating with Daimler-Benz – which has an 11 per cent stake in the company – to become a production platform for Daimler's "world concept" medium-sized truck. It is also on the point of concluding an agreement under which the Tatamobile will be assembled in Egypt and sold under a General Motors name.

Mr Tata said that over the last two or three years decisions over manufacturing facilities, automation and production volumes had been taken with a view to improving international competitiveness. However, a study commissioned last year from Arthur D. Little, the US consultancy, is said to have shown that Telco's costs for producing the pick-up van were above the expected entry price in the US market.

Mr Tata said that Telco would be substantially expanding its investment over the next two or three years. Outlays would rise from an average of Rs1bn ($66m) a year, taking into account savings made on in-house capital equipment manufacture, to Rs1.5bn, with the funds coming partly from the capital markets.

In contrast to Telco's reputation for slow profit growth, he said the company "has to generate a higher level of profit though we may choose to plough that back."

He left little doubt that his proposals for Telco diversifying into new products rested on establishing closer links with other companies in the Tata group, the largest in India. Within the group, he said, "we have to stop this duplication of effort and create more synergy."

He also gave the first indication that the Tata group, which has largely stood aside in the takeover manoeuvres that envelop the country's corporate sector, could be more active. "Acquisitions ought to be a route to growth, though not unfriendly acquisitions," he said.

He conceded that he was nervous that Tata companies could themselves be prey to takeover bids. "I feel concerned that this could happen," Mr Tata said, adding that the group was taking steps to increase its shareholding in companies thought vulnerable.

Telco had a turnover of Rs14bn in 1987-88, with profits after tax of Rs260m.

Sanyo Electric pushes up profits by 81.9%

SANYO ELECTRIC, the Japanese consumer electrical products company, boosted pre-tax profits 81.9 per cent to Y29.22bn ($226.2m) in the year to November, writes our Financial Staff.

Sales were 8.6 per cent higher at Y987.5bn. A setback in its well-known audio products, where turnover fell 24.4 per cent to Y78.4bn, was offset by growth in other sectors ranging from vending machines to semiconductors.

Net earnings were Y17.04bn against Y14.13bn the previous year.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 30, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	56.3120	30.3053	43.5307
Albania (Lek)	10.0257	5.6883	3.0612	4.3972
Algeria (Dinar)	11.3065	6.4150	3.4523	4.9589
Andorra (Fr Fr)	11.1400	6.3205	3.4015	4.8859
(Sp Peseta)	203.00	115.1773	61.9847	89.0350
Angola (Kwanza)	53.2825	30.2312	16.2694	23.3695
Antigua (E Carr $)	4.7412	2.6900	1.4476	2.0794
Argentina (Austral)	30.2733	17.1763	9.2437	13.2777
Aruba (Florin)	3.1432	1.7833	0.9597	1.3785
Australia (Aus $)	2.0023	1.1360	0.6113	0.8782
Austria (Schilling)	23.045	13.0751	7.0366	10.1074
Azores (Port Escudo)	269.00	152.6241	82.1374	117.9824
Bahamas (Bahama $)	1.7625	1	0.5381	0.7730
Bahrain (Dinar)	0.6620	0.3756	0.2021	0.2903
Balearic Is (Sp Peseta)	203.00	115.1773	61.9847	89.0350
Bangladesh (Taka)	54.50	30.9219	16.6412	23.9035
Barbados (Barb $)	3.5318	2.0038	1.0784	1.5490
Belgium (Belg Fr)	68.65c	38.9503	20.9618	30.1096
	69.20g	39.2624	21.1297	30.3508
Belize (B $)	3.5120	1.9926	1.0723	1.5403
Benin (CFA Fr)	557.00	316.0283	170.0763	244.2982
Bermuda (Bermudian $)	1.7625	1	0.5381	0.7730
Bhutan (Ngultrum)	26.30	14.9219	8.0305	11.5350
Bolivia (Boliviano)	4.3549	2.4708	1.3297	1.9100
Botswana (Pula)	3.4575	1.9617	1.0557	1.5164
Brazil (Cruzado)	1.7550	0.9957	0.5358	0.7697
British Virgin Is (US $)	1.7625	1	0.5381	0.7730
Brunei (Brunei $)	3.3988	1.9283	1.0378	1.4907
Bulgaria (Lev)	1.4956	0.8485	0.4566	0.6559
Burkina Faso (CFA Fr)	557.00	316.0283	170.0763	244.2982
Burma (Kyat)	11.3269	6.4266	3.4585	4.9679
Burundi (Burundi Fr)	268.50	152.3404	81.9847	117.7631
Cameroon (CFA Fr)	557.00	316.0283	170.0763	244.2982
Canada (Canadian $)	2.0810	1.1807	0.6354	0.9127
Canary Is (Sp Peseta)	203.00	115.1773	61.9847	89.0350
Cp. Verde Is (CV Escudo)	130.8747	74.2551	39.9617	57.4011
Cayman Is (CI $)	1.4575	0.8269	0.4450	0.6392
Cent. Afr. Rep (CFA Fr)	557.00	316.0283	170.0763	244.2982
Chad (CFA Fr)	557.00	316.0283	170.0763	244.2982
Chile (Chilean Peso)	443.89	251.8524	135.5389	194.6885
China (Renminbi Yuan)	6.6104	3.7505	2.0184	2.8992
Colombia (Col Peso)	603.35	342.3262	184.2290	264.6271
Comoro Is (CFA Fr)	557.00	316.0283	170.0763	244.2982
Congo (Brazz) (CFA Fr)	557.00	316.0283	170.0763	244.2982
Costa Rica (Colon)	139.8654	79.3562	42.7069	61.3444
Cuba (Cuban Peso)	1.3374	0.7588	0.4083	0.5865
Cyprus (Cyprus £)	0.8410	0.4771	0.2567	0.3688
Czechoslovakia (Koruna)	9.50c	5.3900	2.9007	4.1666
	16.93i	9.6056	5.1694	7.4254
	16.23t	9.2085	4.9557	7.1184
Denmark (Danish Kroner)	12.7475	7.2326	3.8923	5.5910
Djibouti Rep (Djib Fr)	305.00	173.0496	93.1297	133.7719
Dominica (E Carrib $)	4.7412	2.6900	1.4476	2.0794
Dominican Rep (D Peso)	11.1056	6.3010	3.3910	4.8708
Ecuador (Sucre)	739.49o	419.5687	225.7984	324.3377
	944.39a	535.8241	288.3633	414.2061
Egypt (Egyptian £)	4.1450	2.3517	1.2656	1.8179
El Salvador (Colon)	8.7850	4.9843	2.6824	3.8530
Equat'l Guinea (CFA Fr)	557.00	316.0283	170.0763	244.2982
Ethiopia (Ethiopian Birr)	3.6082	2.0472	1.1017	1.5825
Falkland Is (Falk £)	1.00	0.5673	0.3053	0.4385
Faroe Is (Danish Kroner)	12.7475	7.2326	3.8923	5.5910
Fiji Is (Fiji $)	2.4722	1.4026	0.7548	1.0842
Finland (Markka)	7.5615	4.2902	2.3088	3.3164
France (Fr)	11.1400	6.3205	3.4015	4.8859
Fr. Cty/Africa (CFA Fr)	557.00	316.0283	170.0763	244.2982
Fr. Guiana (Local Fr)	11.1400	6.3205	3.4015	4.8859
Fr. Pacific Is (CFP Fr)	196.00	111.2056	59.8473	85.9649
Gabon (CFA Fr)	557.00	316.0283	170.0763	244.2982
Gambia (Dalasi)	11.4140	6.4760	3.4851	5.0061
Germany East (Ostmark)	3.2750	1.8581	1	1.4364
Germany West (D Mark)	3.2750	1.8581	1	1.4364
Ghana (Cedi)	404.11	229.2822	123.3923	177.2412
Gibraltar (Gib £)	1.00	0.5673	0.3053	0.4385
Greece (Drachma)	271.95	154.2978	83.0381	119.2763
Greenland (Danish Krone)	12.7475	7.2326	3.8923	5.5910
Grenada (E Carr $)	4.7412	2.6900	1.4476	2.0794
Guadaloupe (Local Fr)	11.1400	6.3205	3.4015	4.8859
Guam (US $)	1.7625	1	0.5381	0.7730
Guatemala (Quetzal)	4.8230	2.7364	1.4726	2.1153
Guinea (Fr)	526.80	298.8936	160.8549	231.0526
Guinea-Bissau (Peso)	1141.40	647.6028	348.5190	500.6140
Guyana (Guyanese $)	15.8202	8.9760	4.8305	6.9386
Haiti (Gourde)	8.7800	4.9815	2.6809	3.8508
Honduras (Lempira)	3.5140	1.9937	1.0729	1.5412
Hong Kong (HK $)	13.7085	7.7778	4.1858	6.0125
Hungary (Forint)	94.8925	53.8397	28.9748	41.6195
Iceland (Icelandic Krona)	87.77	49.7985	26.8000	38.4956
India (Indian Rupee)	26.30	14.9219	8.0305	11.5350
Indonesia (Rupiah)	3065.11	1739.0695	935.9114	1344.3464
Iran (Rial)	123.50	70.0709	37.7099	54.1666
Iraq (Iraqi Dinar)	0.5471	0.3104	0.1670	0.2399
Irish Rep (Punt)	1.2255	0.6953	0.3741	0.5375
Israel (Shekel)	3.1840	1.8065	0.9722	1.3964
Italy (Lira)	2397.00	1360	731.9083	1051.3157
Ivory Coast (CFA Fr)	557.00	316.0283	170.0763	244.2982
Jamaica (Jamaican $)	9.5096	5.3955	2.9036	4.1708
Japan (Yen)	228.00	129.3617	69.6183	100
Jordan (Jordanian Dinar)	0.8840	0.5015	0.2699	0.3877
Kampuchea (Riel)	176.25	100	53.8167	77.3026
Kenya (Kenya Shilling)	32.75	18.5815	10	14.3640
Kiribati (Australian $)	2.0023	1.1360	0.6113	0.8782
Korea North (Won)	1.7033	0.9664	0.5200	0.7470
Korea South (Won)	1195.65	678.3829	365.0839	524.4078
Kuwait (Kuwaiti Dinar)	0.5053	0.2866	0.1542	0.2216
Laos (New Kip)	755.08	428.4141	230.5587	331.1754
Lebanon (Lebanese £)	926.73	525.8042	282.9709	406.4605
Lesotho (Maloti)	4.2278	2.3987	1.2909	1.8542
Liberia (Liberian $)	1.7625	1	0.5381	0.7730
Libya (Libyan Dinar)	0.5117	0.2903	0.1562	0.2244
Liechtenstein (Swiss Fr)	2.7825	1.5787	0.8496	1.2203
Luxembourg (Lux Fr)	68.65	38.9503	20.9618	30.1096
Macao (Pataca)	14.1082	8.0046	4.3078	6.1878
Madeira (Port Escudo)	269.00	152.6241	82.1374	117.9824
Malagasy Rep (MG Fr)	2562.87	1454.1106	782.5557	1124.0657
Malawi (Kwacha)	4.6140	2.6178	1.4088	2.0236
Malaysia (Ringgit)	4.8043	2.7258	1.4669	2.1071
Maldive Is (Rufiya)	15.2946	8.6779	4.6701	6.7082
Mali Rep (CFA Fr)	557.00	316.0283	170.0763	244.2982
Malta (Maltese £)	0.5965	0.3384	0.1821	0.2616
Martinique (Local Fr)	11.1400	6.3205	3.4015	4.8859
Mauritania (Ouguiya)	131.70	74.7234	40.2137	57.7631
Mauritius (Maur Rupee)	24.95	14.1560	7.6183	10.9429
Mexico (Mexican Peso)	4054.28a	2300.3007	1237.9480	1778.1929
	4015.09d	2278.0652	1225.9816	1761.0043
Miquelon (Local Fr)	11.1400	6.3205	3.4015	4.8859
Monaco (French Fr)	11.1400	6.3205	3.4015	4.8859
Mongolia (Tugrik)	5.8923	3.3431	1.7991	2.5843
Montserrat (E Carr $)	4.7412	2.6900	1.4476	2.0794
Morocco (Dirham)	14.50	8.2269	4.4274	6.3596
Mozambique (Metical)	1143.95	649.0496	349.2977	501.7324
Namibia (S A Rand)	4.2278	2.3987	1.2909	1.8542
Nauru Is (Australian $)	2.0023	1.1360	0.6113	0.8782
Nepal (Nepalese Rupee)	42.144	23.9114	12.8683	18.4842
Netherlands (Guilder)	3.7000	2.0992	1.1297	1.6228
N'nd Antilles (A/Guilder)	3.1432	1.7833	0.9597	1.3785
New Zealand (NZ $)	2.9065	1.6490	0.8874	1.2747
Nicaragua (Cordoba)	4041.40	2292.9929	1234.0152	1772.5438
Niger Rep (CFA Fr)	557.00	316.0283	170.0763	244.2982
Nigeria (Naira)	11.9408	6.7749	3.6460	5.2371
Norway (Nor. Krone)	11.8575	6.7276	3.6206	5.2006
Oman (Rial Omani)	0.6760	0.3835	0.2064	0.2964
Pakistan (Pak. Rupee)	33.00	18.7234	10.0763	14.4736
Panama (Balboa)	1.7625	1	0.5381	0.7730
Papua New Guinea (Kina)	1.4449	0.8198	0.4411	0.6337
Paraguay (Guarani)	562.24o	319.0014	171.6763	246.5964
	1994.20a	1131.4609	608.9160	874.6491
Peru (Intl)	1238.65o	702.7801	378.2137	543.2675
	3109.90a	1764.4822	949.5877	1363.9912
Philippines (Peso)	36.00	20.4255	10.9923	15.7894
Pitcairn Is (£ Sterling)	1.00	0.5673	0.3053	0.4385
(NZ $)	2.9065	1.6490	0.8874	1.2747
Poland (Zloty)	904.83	513.3787	276.2839	396.8552
Portugal (Escudo)	269.00	152.6241	82.1374	117.9824
Puerto Rico (US $)	1.7625	1	0.5381	0.7730
Qatar (Riyal)	6.3945	3.6280	1.9525	2.8046
Reunion Is. de la (F/Fr)	11.1400	6.3205	3.4015	4.8859
Romania (Leu)	14.781	8.3858	4.5129	6.4824
Rwanda (Fr)	136.7664	77.5979	41.7607	59.9852
St Christopher (E Carr $)	4.7412	2.6900	1.4476	2.0794
St Helena (£)	1.00	0.5673	0.3053	0.4385
St Lucia (E Carr $)	4.7412	2.6900	1.4476	2.0794
St Pierre (French Fr)	11.1400	6.3205	3.4015	4.8859
St Vincent (E Carr $)	4.7412	2.6900	1.4476	2.0794
San Marino (Italian Lira)	2397.00	1360	731.9083	1051.3157
Sao Tome (Dobra)	179.253	101.7038	54.7337	78.6197
Saudi Arabia (Riyal)	6.5898	3.7388	2.0121	2.8902
Senegal (CFA Fr)	557.00	316.0283	170.0763	244.2982
Seychelles (Rupee)	9.49	5.3843	2.8977	4.1622
Sierra Leone (Leone)	67.50	38.2978	20.6106	29.6052
Singapore ($)	3.3988	1.9283	1.0378	1.4907
Solomon Is ($)	3.7320	2.1174	1.1395	1.6368
Somali Rep (Shilling)	428.464	243.1001	130.8287	187.9228
South Africa (Rand)	4.2278c	2.3987	1.2909	1.8542
	6.8930g	3.9109	2.1047	3.0232
Spain (Peseta)	203.00	115.1773	61.9847	89.0350
Spanish Ports in N Africa (Sp Peseta)	203.00	115.1773	61.9847	89.0350
Sri Lanka (Rupee)	57.60	32.6808	17.5877	25.2631
Sudan Rep (£)	7.9020	4.4834	2.4128	3.4657
Surinam (Guilder)	3.1345	1.7784	0.9570	1.3747
Swaziland (Lilangeni)	4.2278	2.3987	1.2909	1.8542
Sweden (Krona)	11.1575	6.3304	3.4068	4.8936
Switzerland (Fr)	2.7825	1.5787	0.8496	1.2203
Syria (£)	36.8760	20.9225	11.2598	16.1736
Taiwan ($)	48.60	27.5744	14.8396	21.3157
Tanzania (Shilling)	225.80	128.1134	68.9465	99.0350
Thailand (Baht)	44.00	24.9645	13.4351	19.2982
Togo Rep (CFA Fr)	557.00	316.0283	170.0763	244.2982
Tonga Is (Pa Anga)	2.0023	1.1360	0.6113	0.8782
Trinidad/Tobago ($)	7.4630	4.2343	2.2787	3.2732
Tunisia (Dinar)	1.6497	0.9360	0.5037	0.7235
Turkey (Lira)	3314.89	1880.7886	1012.1801	1453.8991
Turks & Caicos (US $)	1.7625	1	0.5381	0.7730
Tuvalu (Australian $)	2.0023	1.1360	0.6113	0.8782
Uganda (New Shilling)	291.928	165.6329	89.1383	128.0385
U A E (Dirham)	6.4540	3.6618	1.9706	2.8307
United Kingdom (£)	1.00	0.5673	0.3053	0.4385
United States (US $)	1.7625	1	0.5381	0.7730
Uruguay (Peso)	816.13	463.0524	249.2000	357.9517
USSR (Rouble)	1.0948	0.6211	0.3342	0.4801
Vanuatu (Vatu)	184.64	104.7602	56.3786	80.9824
Vatican (Lira)	2397.00	1360	731.9083	1051.3157
Venezuela (Bolivar)	25.4620e	14.4465	7.7746	11.1675
	65.4500f	37.1347	19.9847	28.7061
Vietnam (Dong)	5794.80	3287.8297	1769.4045	2541.5789
Virgin Is-British (US $)	1.7625	1	0.5381	0.7730
Virgin Is-US (US $)	1.7625	1	0.5381	0.7730
Western Samoa (Tala)	3.7800	2.1446	1.1542	1.6578
Yemen (Rial)	17.14	9.7248	5.2335	7.5175
Yemen PDR (Dinar)	0.6023	0.3417	0.1839	0.2641
Yugoslavia (Dinar)	10367.56	5882.3035	3165.6671	4547.1754
Zaire Rep (Zaire)	436.10	247.4326	133.1603	191.2719
Zambia (Kwacha)	17.40	9.8723	5.3129	7.6315
Zimbabwe ($)	3.4975	1.9843	1.0679	1.5339

Special Drawing Rights January 27 1989: United Kingdom £ 0.744597 United States $ 1.31667 Germany West D Mark 2.43821 Japan Yen 169.455
European Currency Unit Rates January 30 1989: United Kingdom £ 0.636066 United States $ 1.11725 Germany West D Mark 2.08825 Japan Yen 145.153

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/1.
Monday, January 30, 1989. Brazilian Cruzado devalued on 16/1/89. 1000 Old Cruzados equiv. to 1 New Cruzado. Nicaraguan Cordoba devalued on 25/1/89.

INTERNATIONAL CAPITAL MARKETS

Sydney Futures trebles size of trading floor

By Chris Sherwell in Sydney

SYDNEY Futures Exchange, which again reported record volumes in 1988, moved yesterday to one of the world's most technologically advanced trading floors with the aim of consolidating its position as the Asia-Pacific region's leading futures and options exchange.

The new floor will triple the space of the exchange's present facility, where the volume of trading rose 40.2 per cent in 1988 to 7.53m contracts, despite a plunge of 54 per cent in the local stock market index futures contract to 285,000.

The new premises stand behind the preserved English classical facade of an 1890 building in the city's central business district. Renovation, fitting out, telephone communications and computer equipment have cost more than A$17m (US$15) since the exchange decided to move in 1986. Among the floor's features are:

- ● Modular trading pits which, like Lego blocks, can be expanded, contracted and relocated according to market conditions.
- ● Sophisticated acoustics to control noise levels in and around the pits, plus adjustable air conditioning to suit the tempo of traders' activity in each pit.
- ● Elevated members' booths with direct sight of pit trading and up to 480 telephone lines each. The exchange itself will have up to 10,000 lines.
- ● A suspended catwalk above the floor from which price reporters and trade entry staff have direct sight of the pits and can be in mobile radio contact. Suspended price monitoring screens give all available and relevant information.

Trading yesterday was relatively quiet as Australia's stock markets were closed for the Australia Day holiday weekend. But hectic trading is expected today following the release of the latest inflation figures.

Last year the sharpest increases were in options of 90-day bank bill futures, which saw a three-fold increase to 192,000 contracts, and in options on 10-year Australian bond futures, which doubled to 722,000. The new three-year bond futures contract, introduced last May, showed a volume of 500,000 contracts.

Based on 1987 volumes, the Sydney exchange is reckoned to be the world's ninth largest and the fourth biggest outside the US. Established in 1960, it trades 10 futures contracts plus options on the five among these which are domestic financial contracts.

Portugal plans gains tax on non-resident investors

By Diana Smith in Lisbon

PORTUGAL PLANS to levy a 10 per cent capital gains tax on stock market transactions by non-residents.

The move by the Finance Ministry has been greeted with gloom by specialists who have been struggling to persuade foreign investors that Portugal's capital markets are attractive.

It is seen as badly-timed discrimination hitting bigger customers, mostly major international institutional investors, at a time when the bourse faces a flow of privatisation issues.

The tax could also reduce the scope for credit hungry Portuguese companies, squeezed by the authorities' punitive credit ceilings for the private sector, to tap the capital market.

Bankers point out that next door Spain does not tax non-resident foreign investors and has relatively dynamic capital markets.

In contrast, Portugal's rigidly-regulated stock market dozes.

The move to tax foreign securities trading is part of an official package soon due to become law, giving capital market tax incentives to Portuguese-based companies or individuals.

Swiss banks lose share of equity trade

By John Wicks in Zurich

SWITZERLAND'S big three commercial banks have seen their share of the equity market diminish in the past year, according to BZ Bank Zurich.

The banks have lost ground in trading Swiss shares, although they continue to dominate the market. BZ Bank estimates Union Bank of Switzerland to have 17 per cent of Swiss equity trading with Swiss Bank Corporation and Credit Suisse close behind with 15 per cent apiece.

BZ Bank itself and Bank Vontobel are said to have an 8 per cent market share each, ahead of Bank Julius Baer

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93½	94	0	0	9.97
A/S Eksportfinans 7¼ 92	150	93½	94	+0⅛	+0¼	9.77
B.F.C.E. 7 92	150	92½	92⅞	−0¼	−0¼	9.80
Brit. Tel. Fin. 9⅜ 98	250	99	99½	0	+0½	9.48
Canada 9 96	1000	98¾	99¼	0	+0⅜	9.19
Canadian Pac 10¼ 93	100	†101¼	102¼	0	+0¼	10.05
C.C.C.E 9¼ 95	300	98½	99	0	+0⅜	9.52
C.N.C.A 9⅞ 93	150	99	99⅞	+0⅛	+0⅛	6.49
Credit Lyonnais 9 91	200	†98¾	99¼	+0¼	+0¼	9.53
Credit National 8¼ 93	200	95⅛	95½	−0⅛	0	9.65
Credit National 7⅞ 92	100	93½	94	0	+0⅛	9.70
Credit National 7¼ 91	150	†93¾	94¼	0	+0⅛	9.73
Dai-Ichi Kan 9⅞ 92	150	99¾	100⅛	+0⅛	+0⅛	9.59
Denmark 7⅛ 92	500	93	93⅜	+0⅛	0	9.79
E.E.C. 7 91	100	93⅝	94⅛	0	+0¼	9.54
E.E.C. 7¼ 93	250	92	92⅜	−0¼	−0¼	9.66
E.E.C. 8 90	350	†97⅜	97⅞	0	+0⅛	9.72
E.I.B. 7⅜ 93	100	92⅝	93⅛	−0⅛	+0⅜	9.51
E.I.B. 9⅜ 97	150	†99	99½	−0⅜	+0⅛	9.49
Elec. De France 9 98	200	96¾	97¼	−0⅛	+0⅛	9.52
Finland 7⅞ 97	200	90⅝	91⅛	0	+0⅜	9.56
Finland 7½ 93	200	92	92⅛	0	0	9.67
Finn. Exp. Cd. 8½ 92	200	96½	97	0	0	9.74
Ford Motor Credit 8 91	250	†96⅛	96⅝	0	0	9.94
Gen. Elec. Cap. Corp. 9 93	500	97½	98	0	+0⅛	9.59
Gen Elec Credit 10¼ 00	200	†99¾	100¼	0	0	10.25
Gen. Mtrs. Corp. 9¼ 92	200	98⅛	98½	0	+0¼	9.71
Halifax BS 9½ 93	200	†98½	99	−0⅛	+0¼	9.83
IBM Credit Corp. 8⅞ 91	250	98⅜	98⅞	+0⅛	+0⅛	9.43
Italy 9 90	1000	†99⅛	99⅜	−0⅛	+0¼	9.28
Italy 9½ 95	1000	99⅝	100⅛	0	+0¼	9.51
L.T.C.B of Japan 8 91	100	95¼	95¾	−0¼	−0¼	10.05
L.T.C.B. of Japan 8 97	200	90½	91	0	+0⅜	9.72
Metropolis Tokyo 9½ 93	200	100⅛	100⅝	0	+0¼	9.37
Morgan Guaranty Tst. 7 90	150	†96½	97	0	0	10.20
Nippon Tel. & Tel. 9⅜ 98	250	99⅛	99⅝	0	+0½	9.47
Norway 8¾ 93	500	97⅛	97⅝	0	+0¼	9.54
Portugal 8¼ 91	300	†96⅜	96⅞	+0⅛	+0⅛	10.05
Prudential Crp. 8⅞ 94	125	96⅝	97⅛	−0⅛	−0⅛	9.49
Qantas Airways 10⅜ 95	140	103¼	103⅝	−0⅜	+0⅜	9.62
Saskatchewan 10¼ 92	100	102½	103	−0⅛	+0⅛	9.66
State Bk S Aust 9¼ 93	100	98¼	98¾	0	+0⅜	9.71
Sumitomo Bank 9⅝ 92	150	99⅞	100⅜	−0⅛	0	9.59
Swed Exp Cred 7¼ 91	100	†93⅞	94⅜	+0⅛	+0⅛	9.67
Sweden 7 91	250	93⅝	94⅛	−0⅛	−0⅛	9.67
Sweden 7 92	250	†93⅛	93⅝	+0⅛	+0⅛	9.61
Sweden 8¾ 96	200	96¼	96¾	−0⅛	+0⅛	9.43
Sweden 8½ 92	200	†97	97½	0	+0¼	9.41
Victorian Rep 11⅝ 92	150	104⅝	105⅛	−0⅛	0	9.76
World Bank 7 92	300	†93¼	93¾	+0⅛	+0⅛	9.60
World Bank 9 97	300	97⅛	97½	−0⅛	+0⅛	9.44
World Bank 9¼ 98	300	98½	99	−0¼	+0⅜	9.44
Yasuda Trust Fin 8½ 93	100	†95⅛	95⅝	−0⅛	−0⅛	9.81

Average price change... On day 0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	99⅜	100⅛	−0⅜	−1⅛	6.05
Avis Fin. SVS 5⅞ 92	100	100	100½	0	0	5.78
Bank of Tokyo 5⅝ 93	100	100	100½	−0⅛	−0⅛	5.68
Central BK. Turkey 7 92	200	101⅜	102⅛	0	−1	6.36
Commerzbank o/s. 5⅜ 93	300	99	99½	−0⅛	−0⅛	5.59
Degussa Int. 6⅛ 97	200	100½	100⅞	+0½	+0⅛	6.04
E.I.B 5½ 98	150	94½	95⅛	−0⅛	−0⅜	6.24
E.I.B 6 97	300	98¼	98⅞	−0⅛	−0⅜	6.24
E.I.B. 6⅛ 96	300	99⅝	100¼	0	−0⅜	6.14
E.I.B. 6⅛ 97	400	99¼	99⅞	−0⅛	−0¼	6.20
E.I.B. 6⅞ 95	300	103½	104½	+0⅛	−0⅛	6.13
Euro. Coal & Steel 5⅞ 97	175	96⅝	97⅜	−0⅜	−0⅞	6.36
Eurofima 6¼ 96	100	99⅝	100⅜	0	+0⅛	6.24
Elec De France 5⅜ 97	300	97¼	97⅞	−0⅛	−0⅛	6.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101¾	102⅛	0	+0⅛	4.79
Belgium 4⅝ 94	45	98¼	98½	0	+0⅛	4.97
Canada 4⅜ 92	80	98⅝	98⅞	−0⅛	+0⅛	4.77
Elec. De France 5⅛ 94	20	100¾	101¼	0	+0⅛	4.90
Ireland 5⅛ 93	30	100⅛	100⅝	0	+0⅜	5.02
Norway 5⅛ 95	50	100¾	101	−0⅛	+0⅛	4.95
Rep. of Italy 5¼ 92	150	102⅝	102⅞	−0⅛	0	4.76
Sweden 4⅝ 93	50	99	99¼	+0⅛	+0¼	4.85
World Bank 5½ 92	50	102½	102¾	0	0	4.69

Average price change... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	97½	98	0	+0⅛	10.97
Alg. Bk. Ned. 5½ 92 FL	150	98½	99	−0⅛	0	5.96
Alg. Bk. Ned. 5¾ 93 FL	200	97⅛	97⅜	−0⅛	−0⅛	6.49
Amro Bank 6¼ 92 FL	150	99⅝	100	−0⅜	−0½	6.36
Aust. Ind. Dev. 12⅞ 93 AS	100	94	94½	0	+0⅜	14.66
Austria 7½ 94 ECU	100	97⅝	98⅛	+0¼	+0¼	8.01
Barc. Bk. 10¼ 97 £	250	97½	98	−0⅛	+0¼	10.64
Barclays Aus. 13½ 91 AS	100	97½	98	+0⅛	0	14.47
BP Capital 9¾ 93 £	100	96⅛	96⅝	−0⅛	0	10.81
British Airways 10 98 £	100	94¼	94¾	−0⅛	−0⅛	10.98
Buhrmann-Tet. 6⅜ 93 FL	100	99⅞	100⅜	−0⅛	−0⅛	6.33
Comm. Bk. Aust. 12⅝ 93 AS	100	95⅝	96⅛	+0⅛	−0⅛	13.60
Coop. Ctr. Rabo. 6¼ 93 FL	100	99	99½	0	0	6.47
Coop. Ctr. Rabo. 6 92 FL	200	98⅞	99⅜	−0⅛	−0⅛	6.28
Denmark 7¾ 92 ECU	100	†99¼	99¾	0	−0¼	7.94
Dixons 11 95 £	90	†97¾	98¼	−0⅜	+0⅛	11.54
Deut. Bk. Aust. 12¾ 95 AS	70	97⅝	98⅛	0	0	13.26
Eastman Kodak 13 90 AS	100	96⅛	96½	0	−0⅛	15.71
E.I.B. 7 96 LFr	100	†97¾	98¼	0	0	7.33
Elec. France 10¼ 95 C$	125	†98½	99	0	0	10.50
Euratom 7⅞ 97 ECU	145	94⅞	95⅜	−0⅛	+0½	8.20
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†97⅛	97⅝	0	+0⅛	10.68
Ford Cr. Can. 10¼ 93 C$	100	†99¾	100¼	0	0	10.74
Ford Mtr. Cred. 7½ 91 ECU	100	99¼	99¾	0	0	7.69
Gillette Can. 9⅝ 93 £	70	92¼	92⅞	−0⅛	+0⅛	11.80
G.M.A.C. 9¾ 93 C$	150	†96⅛	96⅝	0	−0⅛	10.82
G.M.A.C Aus. Fin. 14 90 AS	50	98	98½	0	−0⅜	15.22
Halifax BS 10⅜ 97 £	100	97½	98	0	+0⅛	10.80
Imp Chem Inds 10 03 £	100	95½	96⅛	−0⅛	+0⅜	10.58
Inv. Industry Int. 10 93 £	60	96⅞	97⅜	−0⅛	+0¼	10.86
Lloyds Bank 10¼ 98 £	150	95¾	96⅛	−0⅛	+0½	10.96
Lloyds Bank 11⅜ 98 £	100	100¼	100¾	−0⅛	+0¼	11.28
Montreal Tst. 10¼ 93 C$	100	†99⅛	99⅝	0	−0⅜	10.89
Nat. Aus. Bank 14 91 AS	50	100⅝	101⅛	0	−0⅛	13.55
Nationwide BS 10⅜ 93 £	75	96⅜	96⅞	−0⅛	+0⅛	11.15
Ned. Midd. Bank 6 92 FL	150	99	99⅜	0	−0⅜	6.30
New Zealand 9½ 93 £	100	95⅛	95⅝	−0⅛	+0⅛	10.89
New Zealand 7¾ 93 ECU	200	99½	100	0	+0¼	7.81
Philips Gloeil. 6 93 FL	300	98½	99	−0⅛	0	6.32
Prudential Fin. 9⅝ 07 £	150	†90⅝	91⅛	−0¼	+0⅜	10.50
Royal Bk. Scot. 10⅝ 98 £	125	97½	98⅛	−0⅛	+0½	11.06
Saskatchewan 9⅞ 91 C$	150	†98⅝	99⅛	+0⅜	+1⅛	10.36
Saskatchewan 10¼ 93	200	98⅛	98¾	0	−0¼	10.64
S.D.R. 7¾ 95 ECU	90	97⅞	98⅜	−0⅛	0	8.15
Sth. Aus. Gvt. Fin. 0 94 AS	100	†52	52½	+0⅛	+0⅛	14.07
Union Bk. Switz. 7½ 93	150	†99¼	99¾	0	−0⅛	7.62
World Bank 5¾ 92 FL	100	98⅜	98⅝	−0⅛	−0⅜	6.32
World Bank 13⅜ 92 AS	100	†98⅞	99⅛	0	+0¼	13.67
Zentrspk. 13¼ 93 AS	75	97¾	98¼	+0⅛	−0¼	13.80

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.75	99.85	21/01	10.99
Belgium 91 US	0	100.30	100.53	21/02	9
Britannia 5 93 £	0⅛	99.96	100.01	10/04	13
Chase Manhattan Crp. 91 US	0¼	99.53	99.78	22/02	8.94
Citicorp 98 US	0¼	98.23	98.48	28/02	9.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

[illegible]

* No information available-previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co; Société Générale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co; Wood Gundy.

INTERNATIONAL CAPITAL MARKETS

Treasuries hit by early session profit-taking

By Janet Bush in New York and Katharine Cambell in London

US TREASURY bonds yesterday moved lower, partly reflecting profit-taking after last week's rally and partly in response to stronger than expected economic data.

At midsession, bond prices at the long end of the yield curve stood as much as $\frac{1}{2}$ point lower, pushing the yield on the Treasury's benchmark long bond up to 8.80 per cent.

December figures for personal income and consumption were released yesterday with both showing a 0.9 per cent rise. The income figure was higher than expected, partly due to farm subsidy payments.

The dollar started the week quietly, dropping somewhat from its weekend level despite the fact that there appeared to be no concerted central bank intervention. At the New York midsession, the dollar was quoted at Y129.70 compared with an earlier high of Y130.05 and at DM1.8625 from DM1.8702 earlier.

The bond market is likely to be much more cautious this week after the rally last week with some key economic releases coming up as well as the meeting of the Group of Seven in Washington at the end of this week.

Leading indicators for December are due to be released tomorrow which also sees the announcement of auction plans in the February quarterly refunding. On Friday, January jobs and unemployment data will be released as well as December factory orders.

The question of dollar stability is likely to be a key component of the agenda at this week's G7 meeting, which starts on Thursday evening. The US currency is supported by a number of factors.

US growth remains robust, there is still no prospect of the US Federal Reserve allowing

GOVERNMENT BONDS

interest rates to fall and they may rise further and some foreign money has been coming into the US equity market which has created additional demand for dollars and helped to support bonds.

FRENCH government bond prices took something of a tumble yesterday, as fears of further tightening by the Bundesbank set in.

In the past few days, the market has had one eye fixed on the general firmness exhibited by US Treasuries, while casting a balancing sidelong glance at gloomier events in Germany. Yesterday the influence of the latter prevailed, so that the 10-year notional bond March future fell 46 basis points to end at 107.46.

The February auction due on Thursday will add between FFr9bn-11bn of new stock to a rather jumpy market. The auction will consist of a further tranche of the 8.125 per cent treasury tap introduced in January. There will be a variable rate issue due 1998, and a new stock due 2004, bearing an 8.25 per cent coupon.

THE GERMAN market was also weak. Dollar strength stoked fears of higher interest rates and kept investors away from the market.

At the morning fixing bond prices were up to 40 pfennigs weaker, pushing yields up to 4 or 5 basis points. The most recent bund, the 6¼ per cent "Silvester" due 1999, was fixed at 98.75, 20 pfennigs below Friday, to yield 6.67 per cent.

A new bund was announced bearing a coupon higher than the market had guessed. The DM 4bn, 10-year issue bears a 6¾ per cent coupon, is priced at 100.50 to yield 6.68 per cent. It will be sold officially between February 1 and 3.

AUSTRALIAN government bond futures moved firmly ahead yesterday, in anticipation of today's consumer price index for the last quarter of 1988. Trading was thin because most of the country, apart from Sydney, was celebrating Australia Day.

The March 10-year future closed 6 basis points ahead at 87.14 and firmed another point or two with a sizable trade in London.

Optimism had been generated by prospects of reasonably good news on the inflation front generated, the market argued, by a firm currency and high interest rates.

IN THE UK, gilt-edged securities failed to match the excitement in the domestic equity market, and trading was said to be dull.

Some Japanese selling, together with the suspicion that last week's rally might have been a trifle overdone, kept the market drifting off. Foreign selling was attributed as much as anything to the perception that the currency is at the top of its range, given rumblings of international interest rate rises.

The benchmark 11¾ per cent Treasury stock was quoted at 117$\frac{5}{8}$ in late trading, down almost half a point on the day.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-12	-8/32	10.33	10.34	10.78
		9.750	1/98	99-20	-10/32	9.81	9.86	10.21
		9.000	10/08	99-22	-14/32	9.03	9.05	9.27
US TREASURY *		8.875	11/98	99-08	-8/32	8.99	9.00	9.15
		9.000	11/18	102-00	-14/32	8.81	8.87	9.80
JAPAN	No 111	4.600	6/98	98.4825	-0.255	4.84	4.84	4.75
	No 2	5.700	3/07	109.0450	-0.001	4.77	4.79	4.76
GERMANY		6.375	11/98	97.6250	-0.375	6.74	6.69	6.59
FRANCE	BTAN	8.000	1/94	97.0882	-0.343	8.74	8.56	8.56
	OAT	9.500	5/98	105.1700	-0.580	8.65	8.58	8.63
CANADA *		10.250	12/98	101.2500	-0.500	10.04	10.02	10.15
NETHERLANDS		6.7500	10/98	99.9750	-0.150	6.83	6.77	6.61
AUSTRALIA		12.000	7/99	95.2979	+0.355	12.81	12.97	12.89

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Mitsubishi Bank buys Chicago clearer

By Deborah Hargreaves in Chicago

IN THE latest move by a Japanese company to build a presence in Chicago's futures markets, Mitsubishi Bank has acquired Sectrend, a futures clearing firm at the Chicago Mercantile Exchange.

The move comes as Japanese investors are being persistently wooed by Chicago's huge futures exchanges with an array of products tailored to their interests. All of Japan's leading brokerage houses have moved into the markets in the past year.

In its acquisition of Sectrend – to be renamed Mitsubishi Futures – the Japanese bank will add established expertise to its small Chicago futures operation. Sectrend is run by Mr M. Scott Gordon, a member of the CME board of governors, and the firm's clearing member status will allow Mitsubishi to process its own trades rather than direct them to another clearing firm.

Nomura Securities is hoping to find a similar entry into the futures markets and is talking to several possible acquisition targets. However, the firm broke off talks with GNP Commodities last year.

The FBI fraud investigation currently under way in Chicago's markets does not appear to deter Japan's long-term push into the city's exchanges. Three big Japanese securities houses – Nikko, Daiwa and Yamaichi – are establishing their own clearing operations on both the CME and the Board of Trade.

Spotlight on Euro-sterling deals

By Andrew Freeman

WITH THE Japanese equity warrant sector taking a breather after last week's exertions, new issue activity returned to more traditional sectors yesterday. Two Eurosterling deals attracted attention, coming at five and 25 years for the Kingdom of Norway and John Lewis, the UK store chain.

The £200m deal for Norway,

INTERNATIONAL BONDS

lead managed by Samuel Montagu, carries a 10¼ per cent coupon and matures on February 14 1994. It was priced at 101⅝ to yield 36 basis points over 10 per cent 1994 government bonds, a spread which many dealers thought was very tight. Nevertheless, the borrower's sovereign status was crucial to the deal and the lead manager said a strong syndicate had been formed with some ease.

Bidding for the deal was said to have been fierce, with several houses advising the borrower to tap another maturity on the grounds that demand for five-year sterling-denominated paper was limited. According to one trader, there has been concerted profit-taking in the five-year Euro-sterling area in recent days as investors have taken advantage of currency gains.

Late in the session the bonds were quoted at less 1.95 bid, outside full fees of 1⅞ per cent. However, the issue is believed to have been partly swap-driven, with an attractive swap from sterling into floating-rate US dollars thought to have achieved a funding rate of Libor less 50 basis points for part of the deal.

Although Norway is a regular borrower, there has been concern that the country's economic problems might damage its reputation with investors. The kingdom currently has a split rating, with Moody's rating it AA2 and Standard & Poor's triple-A.

By contrast, the John Lewis deal was quickly sold out to UK institutions, according to the sole lead manager, Warburg Securities. The £100m bonds carry a 10½ per cent coupon and mature on January 23 2014. The proceeds are part of a funding programme for a major store expansion scheme.

A partly-paid structure whereby investors pay 30 per cent of the issue price on February 6, with the balance due in August, was the key to the deal's success. It allows investors to place the balance in the short-term markets for six months and gain a yield pick-up estimated by the lead manager at 8 basis points per annum of the bond's life.

The launch spread over the 9 per cent 2008 government benchmark bond was 143 basis points, rising to around 150 basis points when the part-payment benefit was taken into account. Coupled with the company's good name, this was easily enough to attract a wide range of UK institutions.

The fact that John Lewis is a private company was felt to be significant. Its creditworthiness is enhanced by a perceived lack of event risk, allowing the borrower to set and achieve tight funding targets.

Elsewhere, a $300m issue for Crédit Foncier de France was brought to the market by Long Term Credit Bank International. The 10-year bonds carry a 9½ per cent coupon and were priced at 101.70 to yield 41 basis points over US Treasuries.

The fall in the Treasury market dominated the deal's fate, leading to some declines from co-managers in the afternoon session. In late trading the issue was quoted at less 2.20 bid, outside fees of 2 per cent.

However, the spread over Treasuries had tightened to 39 basis points on an annual basis, indicating a reasonable reception.

In the Canadian dollar sector, a C$150m issue for the Province of New Brunswick which matures in 2001 and carries a 10¼ per cent coupon was also adversely affected by the US Treasury market and was quoted outside fees.

The lead manager, Wood Gundy, said demand for the paper had been primarily from institutional investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Credit Foncier♦	300	9½	101.70	1999	1⅞/¼	LTCB Int'l.
GMAC♦	200	9⅝	101⅛	1992	⅞/½	UBS Secs.
Issue Update:						
Canon Inc.(a)(b)‡♦	600	4⅛	100	1993	1½/⅞	Yamaichi Int.
Canon Inc.(a)(c)‡♦	400	4⅛	100	1993	1½/¼	Singapore Nomura
Nissan Motor Credit♦	120	9¾	101¼	1992	⅞/½	Daiwa Europe
CANADIAN DOLLARS						
Prov.New Brunswick♦	150	10¼	101⅞	2001	1⅞/¼	Wood Gundy
SWISS FRANCS						
Mitsuuroko Co.**♦	40	4⅞	97	1994	N/A	Fuji Bank (Schweiz)
Belgium**♦	100	5¼	100½	1996	N/A	SBC
Issue Update:						
Toa Electric(d)‡♦	30	1¼	100	1994	N/A	Banca D'Svizzera
STERLING						
John Lewis♦	100	10½	100.233	2014	2½	Warburg Secs.
Kingdom Norway♦	200	10½	101⅝	1994	1¼/⅝	Samuel Montague
ECU						
Toyota Motor Credit♦	100	8	101⅝	1994	1¼/⅝	CSFB
YEN						
C ITOH America♦	10bn	7	106.819	1993	1½/½	Nikko Secs.
Orient Leasing♦	10bn	7	114¼	1998	1¼/⅝	Nomura Int.
Orient leasing♦	5bn	5	101¾	1994	1¼/⅝	Daiwa Europe

**Private placement. ‡With equity warrants. ♦Final terms. (a)Issues fungible.Coupon cut from 4½. (b)European Tranche. (c)Asian Tranche. (d)Coupon cut from 1⅝.Notes and warrants exercisable from 23/2/89 to 21/1/94. Call option 9/8/91 at 101¼ decreasing ¼% semi-annually.

Dresdner sees 'exotic' flavour eroding from markets

By Katharine Campbell

GROWING competition for capital flows in the run-up to the creation of a single European Community market by 1992 will have a strong impact on Europe's smaller bond markets, including those in non-EC countries, forcing down barriers, and banishing the "exotic" flavour some of these markets still have for international investors.

This is the conclusion of a report put out by Dresdner Bank entitled "Europe 92 – improved prospects for the smaller bond markets."

The dismantling of current capital restrictions will mean that "new, so far dormant markets are going to be caught up in the internationalisation process." The effect will be felt in markets from Italy, by volume the world's fourth largest bond market (DM865bn), to Finland, Europe's smallest (DM33bn).

Taken together, the eight minor markets Dresdner chooses to include contribute a total market capitalisation of DM1,875bn, almost one-third the size of the US market. But in most cases, illiquidity and antiquated institutional and market structures have kept them relatively isolated from international capital flows.

As 1992 approaches, a number of pressures will be felt, the report continues. Countries will be forced to towards greater convergence of economic policies, a trend already well established since the formation of the European monetary system in 1979.

Far-reaching changes in institutional and technical structures will also be necessary to satisfy the requirements of foreign investors. Several of these markets are closed to non-residents currently, and this is unlikely to continue if countries aspire to competitiveness in the field of international capital. In Norway, for instance, deregulation begun in 1980 led to such unwarranted expansion of the money supply that the government closed the door on foreign investors four years later. It has remained closed since.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday January 30 1989

Figures in parentheses show number of stocks per section

	EQUITY GROUPS & SUB-SECTIONS	Monday January 30 1989	Fri Jan 27	Thu Jan 26	Wed Jan 25	Year ago (approx)
1	CAPITAL GOODS (208)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (59)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (186)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31	Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Publishing & Printing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40	OTHER GROUPS (93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	Agencies (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (487)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (126)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (76)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (712)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	FT-SE 100 SHARE INDEX♦	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

	PRICE INDICES	Mon Jan 30	Day's change %	Fri Jan 27	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	119.26	-0.04	119.30		1.20
2	5-15 years	136.51	-0.09	136.74	0.10	1.45
3	Over 15 years	151.02	-0.19	151.11		0.00
4	Irredeemables	172.62	-0.34	173.21		0.00
5	All stocks	134.08	-0.09	134.17	0.05	1.20
	Index-Linked					
6	5 years	131.55		131.54		0.00
7	Over 5 years	129.20	+0.03	129.15		0.42
8	All stocks	129.30	+0.03	129.26		0.42
9	Debentures & Loans	117.94	+0.33	117.00	0.34	0.60
10	Preference	89.08	+0.33	88.79		8.17

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 30	Fri Jan 27	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.11	9.13	8.94
2		15 years	9.90	9.88	9.58
3		25 years	8.83	8.89	9.19
4	Medium Coupons	5 years	10.07	10.04	9.68
5		15 years	9.34	9.31	9.48
6		25 years	8.98	8.97	9.39
7	High Coupons	5 years	10.32	10.29	9.49
8		15 years	9.49	9.46	9.62
9		25 years	9.04	8.99	9.39
10	Irredeemables		8.84	8.81	9.18
	Index-Linked				
11	Inflation rate 5%	5yrs	3.55	3.54	2.37
12	Inflation rate 5%	Over 5 yrs	3.66	3.66	3.94
13	Inflation rate 10%	5yrs	2.69	2.68	1.43
14	Inflation rate 10%	Over 5 yrs	3.49	3.49	3.77
15	Debs & Loans	5 years	11.72	11.63	10.76
16		15 years	11.26	11.30	10.69
17		25 years	10.91	10.97	10.69
18	Preference		10.11	10.23	10.46

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	90	4
Corporations, Dominion and Foreign Bonds	1	10	40
Industrials	876	214	498
Financial and Properties	414	59	197
Oils	42	16	42
Plantations	2	1	9
Mines	34	43	109
Others	118	33	85
Totals	1,498	466	989

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

- First Dealings Jan 23
- Last Dealings Feb 3
- Last Declarations May 4
- For settlement May 15

For rate indications see end of London Share Service

Calls in Smith New Court, Norfolk Cap, Tay Homes, Cookson, Kentish Props, Marina Devs, PML, Owners Abroad, Oliver Res, Coats Viy, Br Steel, Sidlaw, Mediarace, Young H, Ewart, Dagenham Mts, Noble, Reardon, Clogau Gold, First Cals, Greenwich Res, Eurotunnel, Wrate, Amber Day, Eagle Trst, Aitken Hume, Oasory Est, NMU Corp, Glynwed.

LONDON TRADED OPTIONS

A TURBULENT rise in equities combined yesterday with today's expiry in the FT-SE 100 index option to carry overall traded options dealings to their highest level since the October, 1987 crash, and business in the index contract to its largest figure of all time.

Overall turnover was boosted to 98,949 contracts by dealings of 31,459 index contracts, and by heavy trading in stocks such as British Steel and British Gas, which vied with each other for turnover leadership most of the day.

Steel came out on top, with 6,719 contracts, against the 5,201 of Gas, with most of the business lying on the call side, as did that of most stocks.

Movements in the FT-SE 100 index itself provided a colourful background to options dealings. It gained 37.0 points on the day to 2,042.9, reaching into new post-crash highs, to touch 2,072.7 at one point in the afternoon.

Dealings in the index on the London International Financial Futures Exchange, where trading took place at substantial premiums to the underlying market, contributed to operations running around from one of the three markets to the next.

The total options turnover was split into 81,973 calls and 16,976 puts, as the aggregate of 98,949 ran to within some 20,000 of all-time record, set at the time of the crash. Index trading lay in 24,112 calls and 7,317 puts.

Dealers reported rolling forward January positions, and also dealings in later months, such as March, not immediately connected with the today's expiry.

British Gas turnover was shared between 4,195 calls and 1,005 puts, with the March 180 calls attracting business of 2,398 contracts.

British Steel, in which some two-way trading was seen, with dealings spread across expiry dates, found 5,832 call contracts and 887 puts. Trusthouse Forte attracted calls of 2,855 contracts and puts of 718.

Proudfoot to pay £38.1m for US quality consultant

By Michael Skapinker

ALEXANDER PROUDFOOT, the international management consultancy chaired by Lord Stevens of Ludgate, is to buy Philip Crosby Associates, the Florida-based quality consultant, for $67m (£38.13m).

Proudfoot, which acquired a UK stock exchange listing as the result of a reverse takeover of City & Foreign Holdings in 1987, specialises in improving clients' productivity and efficiency. It has a reputation for recommending the dismissal of large numbers of employees. It said that the acquisition would be funded out of existing cash resources and debt financing.

Lord Stevens, who is also chairman of United Newspapers, said he hoped that the purchase of Crosby would enable Proudfoot to acquire a gentler image. "Crosby has a mellower reputation which I think for us is a plus," he said. He said that Crosby would continue to operate as a separate entity.

Mr Philip Crosby, chairman and founder of Crosby, is one of America's best-known quality experts. He is a proponent of the view that companies should not accept that a small percentage of their products will be defective, but should aim instead for zero defects. Unaudited interim results show that Crosby made a profit before tax of $5.3m in the nine months to September 30 1988. The company is quoted on the American Stock Exchange.

Mr Crosby said that his company had been looking for a merger partner for three years. "We had the strategic problem of how to expand worldwide quickly. We were expanding

Lord Stevens – wanting to acquire a gentler image

away, but the rate we were going was not too good."

Three months ago, Proudfoot approached Mr Larry McFadin, Crosby's president, to propose a merger. Both Mr Crosby and Mr McFadin will join the Proudfoot board.

Mr Crosby has said that companies should not blame employees for quality problems as these are overwhelmingly the fault of management. How did he feel, then, about being absorbed by a company regarded as the hammer of the workers?

"We checked that out very carefully. We found that that was what Proudfoot was in the US 15 to 20 years ago. It's not what they do today," he said, adding, "I guess sometimes there have to be some cutbacks." However, Crosby's own approach to reducing employee numbers is that "if you do things right you don't have to get rid of people".

The advantage to Crosby of being taken over by Proudfoot was that the latter did more of its business outside the US, he said. "We haven't been able to do much work in Brazil. They have the largest consultancy in Brazil and we can put some of our people in their office," he said.

Mr Crosby said that his company's skill in making films and workbooks which companies could use to effect their own improvements would be of assistance to Proudfoot.

Mr Thomas Huhn, Proudfoot's chief executive, agrees. "I think Crosby is absolutely phenomenal at packaging products. Proudfoot is not good at that and a lot of what Proudfoot is can be packaged. You get into certain countries – Indonesia, Mexico and so forth – and even though the need is there, the clients can't afford to hire Proudfoot. Crosby will help us tremendously," he said.

Mr Huhn, who is also based in Florida, said that press reports describing Proudfoot as hatchet men were unfair, although he accepted that adverse comment "goes with the territory". He endorsed his chairman's view, however, that Proudfoot could do with a less aggressive image.

Apart from a new image, would there be any changes in Proudfoot's approach to cost-cutting? Mr Huhn said that there would be closer consultation with clients. He added, however, that "as long as the world exists the way it is, and you have companies providing goods and services in a capitalist society, there's always going to be a market for Proudfoot".

Predators' eyes fall on a well-fattened prey

Steven Butler analyses the latest of a long line of bid talk surrounding Ultramar

ULTRAMAR, the UK-based oil group, has been touted as a takeover candidate for so many years it is difficult to know whether the latest hints of a bid are to be taken seriously.

Ultramar itself lent credence to them when it said yesterday that Noverco and Unigesco, two Canadian companies, along with Banque Paribas had been trying to weld together a consortium to make an offer for the company. Ultramar says that various international oil companies and financial institutions have been approached.

This was widely seen in the City as a defensive move aimed at lifting the Ultramar share price, possibly high enough to scupper the formation of any consortium, which many view as improbably anyway. Aside from the uncontradicted assertion that the Canadians have been talking to people, it is unclear how far discussions have got, or what the real intent is.

If a bid does come in the weeks and months ahead, it will catch Ultramar toward the end of a rationalisation process that many believe has broadly improved the fortunes of the company.

Large acquisitions in the past year have fattened up two underweight operating units with both acquisitions earning praise among analysts for being well timed and useful strategically, even if Ultramar paid a full price.

This has left the group with four main operating divisions: refining and marketing in Eastern Canada; refining and marketing in California; exploration and production in the UK; and natural gas production in Indonesia.

The gas business is an excellent cash generator which is expected to show steady growth in coming years because of increased demand for liquefied natural gas from Japan.

The field of potential buyers for this asset, and consequently the price that might be paid in any break-up of the group, has often been questioned however because of doubt over how happy the Indonesian government would be to see a change of ownership, particularly to a buyer with which it has no familiarity.

The Canadian operation, under the management of Mr Jean Gaulin, has been a star performer of the group in recent years, seeing Ultramar through troubled times in 1986 when oil prices collapsed.

Investment in upgrading equipment at the Quebec refinery has put Ultramar in position to profit from the much higher margins now being earned by refineries able to make lighter petroleum products, such as unleaded fuel.

After his success in Canada, Mr Gaulin has also been put in broad control of the California business, where Ultramar last year paid $440m to by a modern refinery in Wilmington. Ultramar was able to put in the highest bid for the refinery in part because of the availability of US tax losses.

In the North Sea, the Ultramar upstream operation was expanded last year by the £111.6m acquisition of Blackfriars Oil & Gas.

Ultramar's observation yesterday that the company's core businesses were well balanced geographically and between upstream and downstream businesses is well shared by the City and the group appears to have recovered a modicum of strategic direction after having floundered for a time.

The balance, however, is provided between businesses that the stock market often prefers to be valued separately – the downstream businesses on the basis of earnings, and the upstream businesses on the basis of asset value.

John Darby, chairman of Ultramar

It is only the major oil companies that can effectively encompass this spread of businesses, because they are so big as to be almost bid proof, and because a demerger on this scale would destroy the market for the assets.

Many in the city were yesterday comparing the situation to the IC Gas demerger several years ago, when a failed bid prompted a dismantling of the group. If a serious bid comes along for Ultramar, the management could choose to go down the same route, rather than let a predator profit at shareholders' expense.

Despite the improvement in Ultramar's performance, there is lingering distrust of the company.

Many analysts say that directors are overpaid, and that group overheads are excessive. Mr Jeremy Elden, of Phillips & Drew, estimates group administration came to £11m, compared to an estimated £48m in net operating profits in 1988. The high costs in part owe to a well-paid US staff in Tarrytown, N.Y., not an obvious place for group headquarters.

And the group still hangs on to its shipping operation, and US upstream businesses for no apparent reason.

The acquisitions of the past year have made Ultramar a far bigger prey, one that could be of increased interest to a major oil company precisely because of the balance and size that Ultramar has achieved.

Yet if a big oil company is really to become involved in a bid that could exceed £1.2bn, what role is left for a consortium led by a small Canadian group holding just 4.27 per cent of the shares?

Braithwaite pulls out of pumps manufacturing

BRAITHWAITE GROUP, the engineering company which has over recent years been transformed into an industrial services and specialist products business, yesterday announced its much flagged disposal of the manufacturing division of SPP pumps for £12.3m.

Braithwaite bought SPP in April last year, making it clear at the time that it was mainly interested in the Sykes pump-hire business that came with the acquisition.

The more capital intensive manufacturing side of the business – which made a trading profit of £850,000 before central charges in the year to February 1987 – has now been sold to Sterling Fluid Systems, a subsidiary of the Thyssen Bornemisza group.

The proceeds will cut Braithwaite's gearing to around 100 per cent, in the company's eyes a suitable base for further expansion.

GEC threatens Plessey chips

By Terry Dodsworth, Industrial Editor

AN AMBITIOUS expansion project planned by the semiconductor division of the Plessey electronics group is being threatened by the hostile takeover proposals of the General Electric Company and Siemens of West Germany.

The plan would take Plessey for the first time into the two highly competitive fields of memory chip and microprocessor production.

In both areas the company would be aiming to emulate the success it has had over the last few years in specialised niche markets rather than inmass-market commodity items.

Mr Doug Dunn, managing director of the semiconductor division, said yesterday that putting these proposals into effect had been made much more difficult by the hostile bid. "We are trying to develop relationships with other companies, and this is not easy when you have the spectre of a buy-out and closure at hand."

According to Mr Dunn, Plessey is examining at least six different product lines, including a microprocessor, a static random access memory and a semi custom chip using programmable logic. The most controversial area under consideration involves using a new ferroelectric technique for making dynamic memories, the industry's biggest selling chips.

The broad range of the expansion project underscores the buoyancy of Plessey's semiconductor activities.

After taking over Ferranti's chip business a year ago, the division increased its turnover last year to £97m from £66m, while profits jumped to £7m from £4.8m.

In a poll of users published this week by Electronics Weekly, the leading trade magazine, Plessey came top of the preferred supplier lists in three of the main categories for specialist producers of semi-custom chips.

The company is now aiming to expand in areas related to the ones figuring in the magazine survey, largely by using process and design technology developed for its current product line in other chips.

Haynes slips to £1.43m due to strong pound

Haynes Publishing Group, publisher of car and motorcycle manuals, reported pre-tax profits marginally down from £1.45m to £1.43m in the six months to the end of November.

Mr John Haynes, chairman, ascribed the downturn to the increased strength of sterling, additional costs associated with the eastern warehouse in the US and the publication of 18 additional titles.

Without these costs, he said, pre-tax profits would have been £1.63m.

Turnover in the UK advanced 21 per cent and group turnover was up 15 per cent to £7.85m (£6.83m).

Mr Haynes said that turnover in the US improved by 6 per cent but that the strength of sterling had reduced that figure to 1 per cent when converted.

UK trading profit was 8 per cent ahead at £1.07m. In the US it was £305,000, ahead of budget but down by £88,000, due to increased costs associated with the new warehouse at Nashville, Tennessee.

Earnings edged down to 18.12p (18.24p) per 20p share.

The directors have decided to increase the interim dividend by 1p to 8p, to equalise the half- and full-year payouts.

Foseco buys US maker of diamond tool products

By Fiona Thompson

FOSECO, the speciality chemicals and abrasives group, has purchased the business and certain trading assets of Super-cut, a Chicago-based manufacturer of high performance diamond tool products.

Foseco has paid $9.8m (£5.58m) cash, with a further maximum of $2.8m payable depending on performance over the next five years, to acquire net trading assets of $3m. Super-cut's major customers are the glass, metalworking and ceramics industries. Pre-tax profits in 1988 were $1.5m on sales of $11.8m.

"We have a global position in high performance diamond cutting tools," said Mr Robert Jordan, group managing director, "and the acquisition of Super-cut is a further step in our strategy of expanding our diamond tool interests into a position of market leadership in key markets of the world."

Last March Foseco acquired Detroit-based Beck Diamond Products, which had been successfully integrated, said Mr Jordan. Foseco has owned Universal Diamond Products, a third US tool products company, for some time.

Foseco is one of the top three diamond tool products companies in the world. Diamond tools account for about 10 per cent of its total turnover.

Property option for Ford Sellar

Ford Sellar Morris Properties, the USM-quoted property investment and development group, has been granted an option to acquire a controlling interest in London & Overseas Land.

LOL is an unlisted company with a portfolio of income producing investment properties and development sites situated mainly in the UK. Net asset value of the company at end-March 1988 amounted to £8.9m.

The option, exercisable between April 13 and April 30, was granted by members of the Lovett family and covers 74.1 per cent of the LOL issued capital.

FSM intends to launch an offer for the outstanding shares, conditional on further satisfactory information on LOL.

The option will lapse if no offer is forthcoming on or before February 20.

T. Cowie welcomes DTI decision

The Department of Trade and Industry is to take no further action as a result of an investigation into possible insider dealing in the shares of T. Cowie, the Sunderland-based motor group, between March 11 and April 9 1987.

In line with usual practice, the report of the inspectors will not be published.

Mr Tom Cowie, the group's chairman, yesterday welcomed the decision which, he said, "at last clarifies our position and puts this chapter behind us.

"We have always maintained that we were confident about the outcome of any investigation and never doubted it would be resolved in our favour."

Mr Cowie added: "They have been inquiring into this for 21 months when it could have been sorted out in 21 days. I have found it very, very frustrating."

AAH expands builders' supplies side

By Andrew Hill

AAH Holdings, the distribution and services company, has expanded its builders' supplies division with acquisitions totalling £2.2m.

The group, which doubled the size of its environmental services operation with a near-£17m purchase at the beginning of the month, has bought Garston Builders (Merchants), based near St Albans, for £1.95m cash. Garston has annual sales of about £3m.

AAH has also acquired Humberside Aluminium & Glazing Services (Scunthorpe), which provides glazing and window installation services to the building trade, for £250,000 cash.

Trading profits in AAH's builders' supplies division increased by 64 per cent to £4.1m in the year to March 31 1988 – 17 per cent of the group's total trading profit.

Tootal confirms rejection of Goldberg

By Ray Bashford

TOOTAL confirmed yesterday that it had rejected a merger proposal from Mr Abraham Goldberg, the Australian textile manufacturer who controls 14.4 per cent of the UK textile company's capital.

Mr Goldberg planned to sell Tootal all of his Australian textile and clothing operations in return for a significant stake, understood to be about one-third of the capital of the UK company.

Mr Geoffrey Maddrell, Tootal's chief executive, said there were no plans for further discussions with Mr Goldberg, who has returned to Australia. However, he added: "We are sure we will hear from him again."

Mr Goldberg increased his Tootal stake from 9.2 per cent last week before making the proposal. He has held shares in Tootal since 1984, and launched a £124m bid in February 1985.

Tootal believes that Mr Goldberg's integrated Australian textiles business will be adversely affected by intensified international competition following the gradual lowering of barriers to imports in the run up to the elimination of certain quotas by 1995.

The acquisition of Mr Goldberg's operations would also be inconsistent with the strategy of developing high quality sourcing in support of local marketing and international distribution capabilities.

"In the absence of any underlying commercial logic, the Tootal group also believes that it would not be in the best interests of shareholders as a whole to have one individual exercising significant influence over the group," they added.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bullough	fin	12	Mar 29	9.7	17	14
Cont'l Assets	fin	0.35	-	0.1	0.35	0.1
Derby Trust	fin	6.823	-	6.0966	11.8824	10.849
Haynes Publish	int	8	Apr 28	7	-	17
Minty	int	nil	-	nil	-	0.36☆
Sommerville (Wm)	int	1	-	1	-	12
Textured Jersey	int	2.5	-	2.5	-	7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆For 15 months.

UK COMPANY NEWS

Office products boost for Bullough

By Philip Coggan

BULLOUGH, the office furniture and engineering group, yesterday announced a 24 per cent increase in pre-tax profits to £26.23m in the year to October 31 1988.

The profit figure included a £500,000 contribution from Atal, the French office furniture manufacturer, which Bullough acquired on September 1 last year.

The office products division contributed more than half of pre-interest profits, thanks mainly to a strong performance by Project Office Furniture. Divisional profits were £13.53m, against £10.93m in the previous year.

All other divisions reported increased profits, with the exception of engineering, which was affected by disappointing performances at the Hago and Brymitre companies. A major restructuring pushed Hago into losses of £300,000 whilst Brymitre worked "inefficiently" in the second half. The division's profits fell from £2.71m to £2.18m.

The refrigeration and store fitting division increased profits from £4.34m to £5.52m despite a £400,000 plus provision at George Barker to reflect the cost of replacing a faulty imported component.

The electrical division benefited from the previous year's restructuring at Newton Derby and G&M Power Plant and profits increased from £945,000 to £1.66m. Heating showed a good all-round performance with profits of £3.85m (£2.98m).

Overall trading profits increased to £26.73m (£21.9m) while interest payable fell to £394,000 (£694,000). After tax of £8.96m (£7.44m), earnings per share rose 23 per cent to 44.7p (36.3p). The recommended final dividend is increased to 12p for a total of 17p (14p). A two-for-one scrip issue is also proposed.

● COMMENT

Bullough has consistently produced good figures and these were no exception. The office furniture division is obviously setting the pace and this should continue, provided that Atal lives up to Bullough's previous record in managing its acquisitions. The other divisions provide some balance against a downturn in the office sector, although as a whole, the group is heavily dependent on UK economic performance. Inevitably, in a group with so many businesses, there were some poor performers last year. However, if the loss at Hago and the provision at George Barker disappear this time, that should give a further boost to profits, which will also benefit from a full year at Atal. Pre-tax profits look set for £31m this year, putting the shares, up 7p at 480p, on a prospective p/e of around 9.5. That represents a discount to the market which is probably undeserved in the light of Bullough's long-term growth record.

Astra Trust poised to take stake in Splash

By Andrew Hill

ASTRA TRUST, the engineering, property and financial services group, is poised to take a major stake in Splash Products, the T-shirt printer and character merchandiser, which could lead to a full bid.

Astra has the option of buying 14.9 per cent of Splash at 65p a share, compared with yesterday's closing price of 80p, down 2p.

The group was rebuffed last week when it made a verbal approach to Splash with an all-shares offer valuing each share at 65p, and the whole company at just over £11m.

"We certainly think we can bring something to the party in terms of resources and management," said Mr Theo Paphitis, Astra's chairman, yesterday.

"But whether or not we bid very much depends on whether (Splash's) management have their shareholders' interests at heart," he continued.

Mr Paphitis said that 65p compared with a market price of less than 50p when the group acquired the option over the Splash stake, adding that he would not be prepared to offer much more for the company.

Splash, which is quoted on the Unlisted Securities Market and owns a portfolio of licences to print cartoon characters on T-shirts, issued a formal statement last week that it had received an approach from a potential bidder.

Astra has six months in which to exercise the option to buy the 14.9 per cent stake in Splash, but Mr Paphitis said he would act well before the deadline and would be seeking talks with Splash's management shortly.

Mr Paphitis pointed to Astra's expanding marketing services and direct-mail division as one possible overlap between the two groups.

Last October, Astra sold the Aston Hippodrome, a snooker and bingo club which made up the bulk of its leisure division, to Pavilion Leisure, taking a 29.9 per cent stake in the Glasgow theatre proprietor in the process.

Slough sells industrial estates portfolio to BHH for £43m

By Paul Cheeseright, Property Correspondent

SLOUGH ESTATES, the UK's biggest industrial property group, has sold to BHH Group for £43m a portfolio of 11 industrial estates, two retail properties and one office building.

This is the biggest industrial property deal of the year so far and reflects the continuing buoyancy of the sector. Total returns over the last year, according to the Richard Ellis monthly index, have topped 40 per cent.

The high interest in the sector was reflected in the fact that Slough called tenders for the portfolio and attracted 30 offers, largely from property companies.

For Slough, which had over 12m square feet of industrial property in its portfolio, the strength of the market offered an opportunity to dispose of what it called "mature" estates.

For BHH, the Stoke-on-Trent company once known as Berkeley and Hay Hill Investments, acquisition of the portfolio means a large increase in its property trading stock, and an opportunity to exploit one of the characteristics of the industrial property market over the last year - the strong demand from occupiers to own their own premises.

BHH, which recently sold its housebuilding interests to concentrate on commercial property investment and development, raised the funds for the purchase through the issue of unlisted preference shares, placed by Banque Paribas Capital Markets.

In all the portfolio of property covers 1.2m square feet. The industrial estates are in Aberdeen, Avonmouth, Bexhill, Bishops Stortford, Braintree, Carlisle, Derby, Lancing, Salford, Southall and Wakefield. The other properties are in Market Harborough, York and Mortlake. The whole provides a rental income of £3.5m a year.

Southend takes full control of textile business

By John Thornhill

Southend Property Holdings has exercised its option to buy the remaining 60 per cent of Hamlet International, a textile business based in London's east end, for £10.9m.

The vendors, the Nathan family, will be issued with 6.3m new Southend shares.

Hamlet International, runs an import/export business specialising in menswear, shoes and textiles and has three properties, including Fieldgate House, in and around the Commercial Road.

Mr Malcolm Dagul, Southend chairman, said that Southend would have complete control in developing Hamlet's properties leaving Mr Aharon Nathan, Hamlet chief executive, free to concentrate on the textile business.

Mr Dagul said that it would be Southend's long-term intention to float off the textile concerns.

John Menzies to sell library services division to Blackwell

By Andrew Hill

JOHN MENZIES, the retailer and newspaper wholesaler, is planning to sell its library services business to BH Blackwell, the private bookseller.

Menzies would not put a price on the division but said it contributed about 5 per cent of group profits, which rose to £26.2m before tax in the year to January 30 1988.

The operation supplies books and journals to academic, public and periodical libraries in the UK, Australia and North America.

It also advises on the selection of books for new libraries and can provide specially-bound books if required.

Menzies said it was planning to sell the business, which has about 15 per cent of the UK public library market, to concentrate on its larger wholesaling and retailing activities.

Blackwell, which is based in Oxford, also has a library services division which is active in the UK, North America and Australia, but has less of a presence in the public library market.

Yesterday's statement was made when news of the negotiations began to leak out to customers of the two retailers, but Menzies said yesterday that it would be a few weeks before any sale was formalised. The group added that no further disposals were planned.

Falcon to take tentative steps towards stock market relisting

By David Waller

FALCON RESOURCES, the oil explorer whose shares have been suspended since October 1985, yesterday announced a series of steps which could eventually lead to a relisting on the Stock Exchange.

The company is planning a £5m rights issue, to be underwritten by Guidehouse Securities. Included in the documentation for the issue – terms of which have yet to be determined – will be the long-awaited unpublished accounts for 1985, 1986, and 1987.

According to Mr Ronnie Monk, Falcon chief executive, this would ultimately lead to a relisting for the company's shares by way of a reintroduction. The balance sheet would be reconstituted, the threat of liquidation removed and the company left with a viable future.

The proceeds of the issue would be used to pay off a £480,000 loan from Venturelarge, a company controlled by Mr Oliver Jessel, the financier, and to buy the two-thirds of the US-based Falcon Andrau Energy Corporation (FAEC) that Falcon does not already own.

Mr Jessel, a rival of Mr Monk's who last October was voted off the Falcon board at an egm, yesterday said that his threat of litigation against the company was "on the back-burner".

"Venturelarge and other creditors were minded to put Falcon into liquidation," he said yesterday. Now, he thought it best to await the outcome of the rights issue.

A contract has been drawn up – but not signed as yet – spelling out how the Venturelarge loan will be repaid.

The plan is to use $800,000 of the rights proceeds to make an offer for the remaining shares in FAEC , which has filed a liquidating plan under Chapter 11 of the US bankruptcy code. Falcon also wants to issue shares to buy the 75 per cent of the FAEC Energy Programme No.1 that it does not own.

If the proposals are successful, Falcon would end up with 90 per cent ownership of 48 drilled wells in a Colorado oil field, and full ownership of a 24 mile pipeline system.

MTM pays £5.5m in agrochemical deal

By Fiona Thompson

MTM, the speciality chemicals manufacturer, is to acquire JD Campbell & Sons, a leading producer of agrochemicals. Campbell is a private, family company and was founded in 1865.

MTM will pay a total of £5.5m for Campbell and its subsidiaries – £4m for the Campbell shares and £1.5m as new working capital to replace a pre-acquisition dividend paid by the Campbell directors to the vendors.

Based in Warrington, Campbell specialises in the production of crop protection products, manufacturing a range of insecticides, fungicides and herbicides which are sold worldwide.

Pre-tax profits for the year to September 30 1988 were £410,000 on sales of £8.5m. Campbell has net assets of £2.2m.

MTM will raise the £5.5m by the issue of new ordinary shares.

It is expected that, following completion, the vendors will retain MTM shares to the value of £800,000, with the balance being placed with leading investment institutions.

Blue Arrow postpones full year figures

By Philip Coggan

Blue Arrow yesterday postponed the announcement of its preliminary results for a week until February 7.

Mr Bruce Gray, company secretary, said there was "nothing sinister" behind the move and that it had proved impossible to get all the figures ready in time.

Earlier this month, Mr Tony Berry, chairman, was ousted from his executive responsibilities and Mr Mitchell Fromstein, the former president of Manpower, was appointed chief executive.

Hazlewood purchase

Hazlewood Foods, the fast-growing foods group, has made another acquisition in Europe. The company is buying Belgapraline, a Belgian chocolates manufacturer, for BFr 24.5m (£358,000). Further annual payments may be made up to a total of £368,000 over the next 10 years.

EFT acting chairman resigns

By James Buxton

MR HUGH Barry, one of the two leading figures in EFT, the Edinburgh-based financial services company formerly known as Edinburgh Financial Trust, resigned yesterday.

Mr Barry, executive deputy chairman, said he had left the company in order to pursue his independent interests.

Together with Mr Hamish Grossart, Mr Barry created EFT in its present form following a battle for control of Edinburgh Financial Trust in late 1986 and early 1987. The company then gave up its investment trust status and concentrated on corporate finance and fund management.

With the chairmanship vacant, Mr Barry was acting chairman of EFT. He said he was retaining his beneficial interest in 835,000 EFT shares for the foreseeable future. He is also to remain on the board of City of Edinburgh Life, the life assurance company controlled by EFT.

Mr Grossart said: "We are sorry to be losing Hugh Barry. We wish him well."

UK COMPANY NEWS

Strong's Pittard stake raised to 5.3%

By Nikki Tait

STRONG & FISHER has raised its stake in Pittard Garnar to 5.3 per cent. Strong's hostile £41m bid for fellow leather group Pittard lapsed last November after being referred to the Monopolies and Mergers Commission.

Strong said it had bought 422,500 shares since its offer lapsed, raising its interest from about 3.3 per cent.

Yesterday, it was unable to say what prices it had paid other than to say that they were bought at current market prices. Since the beginning of December, the Pittard price has ranged between 192p and 209p.

The possible effects of a merger between S&F and Pittard have been under consideration by the Monopolies and Mergers Commission since late-November, with a three-month timescale set for the inquiry.

The bid was the first to be referred after the Elders IXL/Scottish & Newcastle Breweries offer, when following its referral the bidder promptly swept into the stockmarket and added substantially to its stake.

In this case, the Department of Trade and Industry barred Strong from acquiring more than 15 per cent of Pittard's voting rights.

Sullivan kicks off move into big-league newspaper publishing

Raymond Snoddy on the publisher's interest in P&S newspapers

MR DAVID SULLIVAN is irredeemably known as the publisher of "girlie" magazines; the man who briefly set the tone of Lord Stevens' Star newspaper and the proprietor behind Sunday Sport exclusives such as: Second World War Bomber Found On Moon.

With his purchase of a 5 per cent stake in Portsmouth and Sunderland Newspapers last week a new, previously hidden, David Sullivan has emerged – David Sullivan the investor.

"I look at dozens of companies every week. I just look at the company accounts," says Mr Sullivan who adds that he never pays much attention to stockbrokers' analysts.

"If they are tipping to you, they are tipping to everyone," says the man whose first fortune was made from a chain of sex shops and magazines.

"You must look at the assets. Not the book assets, but the real brand assets and at the freehold, particularly when it was last valued."

In the recent past he has done quite nicely from a brief flirtation with 1.5 per cent of the shares in Capital Radio, the London commercial radio station, and 3 per cent in Preedys, the Midlands-based newsagent chain, not long before it was acquired by Next, the retail group.

But Mr Sullivan's courtship

David Sullivan: would like seat on board

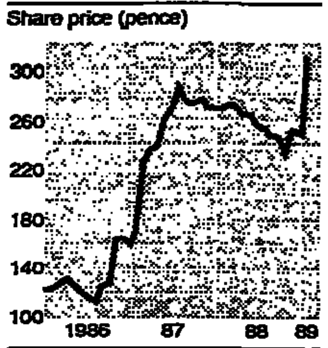
of Portsmouth and Sunderland could be the real thing.

The company's value "shone out like a glowing light," he says. Its assets include three evening newspapers, four paid-for weeklies, 12 free newspapers, stakes in radio stations, modern printing presses, 48 newsagents and convenience stores before you even talk about freeholds and all for not much more than the £25m Reed International paid for the titles of Mr Eddy Shah's local newspapers.

"If necessary I would be willing and happy to go the whole way," says Mr Sullivan without a trace of humour in his voice.

Portsmouth & Sunderland Newspapers

Share price (pence)



He believes that Portsmouth and Sunderland could be worth closer to £100m than its present valuation of about £35m, but concedes that he was "a bit silly in retrospect" putting out a press release drawing more than the legally required attention to his find.

The publisher of the 600,000-circulation Sunday Sport, who already has a Wednesday Sport and plans a Friday version from March, will now let the dust settle at Portsmouth and Sunderland.

Mr Sullivan would like to match the 18 per cent of the company held by Sir Richard Storey, chairman. Then, he says, "I would be entitled to have a seat on the board."

As more than 40 per cent of the shares of Portsmouth and Sunderland is controlled by family interests, the company is less than distraught at the ardour of the unsolicited suitor.

"David Sullivan is saying we are a well-managed company and that we are undervalued. I have to agree on both counts," Mr Charles Brims, P&S chief executive, said yesterday.

Had he been in touch?

"We have not been in conversation and we don't intend to be," added Mr Brims, who conceded, however, that the company had not been too grand to print some of the early issues of the Sunday Sport before a long-term contract to print The Observer intervened.

As for Mr Sullivan he regards the modest move against Portsmouth and Sunderland, which made £3.3m pre-tax profits in its first half, as part of a longer term strategy.

"I've been playing non-league football as a newspaper publisher. I want to get into the second or third divisions and maybe one day the first division," says the London University economics graduate who claims he is in a position to raise between £50m and £100m for the right opportunity.

S&N waits for DTI decision on share deal

By Lisa Wood

SCOTTISH & Newcastle Breweries has not yet been informed by the Department of Trade and Industry whether it will appoint inspectors to investigate share dealings in the company last November on the day the £1.6bn bid for S & N by Elders IXL was referred to the Monopolies and Mergers Commission.

On the day the referral was announced Elders, in a controversial move, lifted its stake in S & N by 9.4 per cent to 23.6 per cent.

S & N said yesterday that it had not received any response yet from the DTI. The Department said it could not comment on the matter.

Cambium Venture

Cambium Venture Capital, an investment company in the process of changing its status to a leisure and industrial holding group and its name to Flagstone Holdings, has raised £338,625 before costs through a placing of 6.3m shares.

Proceeds of the issue, equivalent to 4.59 per cent of Cambium's enlarged share capital, will be used for working capital. The shares were placed at 5⅓p against Cambium's unchanged market price of 6¾p.

Jas Halstead buys Driza-Bone range

By Chris Sherwell in Sydney and Ray Bashford in London

JAMES HALSTEAD, the Manchester-based polymer products company, has snapped up the Australian maker of the Driza-Bone waterproof clothing range, in a deal which could arouse local sensibilities.

The company has paid A$9.64m cash (£4.78m) for the range Driza-Bone which from humble origins at the turn of the century as waterproof clothing for sheep drovers and cattle drovers in the outback, is enjoying an upswing in popularity among Australia's urban population.

Mr Vincent Clare, Halstead chairman, acknowledged yesterday that there was "a danger of offending people" by buying a company which produces the range of coats, jackets and trousers so closely identifiable with local tradition.

"We are the least offensive Pommies in that we have been involved with the company for some time," Mr Clare said.

Halstead has enjoyed a commercial relationship with Driza-Bone for some years and will attempt to exploit the brand name in the UK, Europe and North America.

Laura Ashley last year attempted to win control of another famous Australian bushman's outfitter, R M Williams, but lost in a bid battle which generated a degree of nationalism.

Halstead already manufactures and distributes the Driza-Bone coat in Europe, while the Australian company, under a licence agreement with Halstead's Belstaff subsidiary, manufactures Halstead's waxed-cotton waterproof motorcycle clothing.

Driza-Bone notched up a pre-tax profit of A$2m in 1988, while Halstead's 1988 pre-tax profit was £6m on turnover of £47m. Mr Clare said that his company paid a very good price in view of present earnings and scope for expansion.

Preliminary discussions about the purchase were held early last year but Halstead acted quickly when a firmer approach was recieved last November.

Adelaide-based Bennett and Fisher, another clothing company, won control of R M Williams, and also expressed interest in acquiring Driza-Bone. However, Mr Clare said that Bennett and Fisher "made a less than serious attempt."

Armour Driza-Bone, based in Brisbane, is the company which manufactures the range of goods and owns this and other registered trade marks. Halstead has acquired it outright, buying 95 per cent of its shares from Armour Investments and the remaining 5 per cent held by a company called Grimco.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bailey (CH), Bristol Channel Ship, British Bloodstock Agency, Dudley Jenkins, Flexitech, Harvey & Thompson, Mountleigh, Rush & Tompkins.

Finals- Blue Arrow, Electronic Machine, Royal Trust Yen Bond Fund, Securiguard, Throgmorton Trust, Wilding Office Equipment.

FUTURE DATES

Finals-

BTR International	Mar. 15
Wyevale Garden Centres	Mar. 13

US expansion for Wace

By Andrew Hill

WACE GROUP, the expanding pre-press services company, has made its second acquisition in the US.

The group is paying an initial $5.5m (£3.13m) in cash and shares for Etheridge Company, a printer based in Grand Rapids, Michigan.

The deal follows the £33.4m purchase of Techtron, the largest colour pre-press company in the US, last September which made Wace the largest pre-press services group in the fragmented world market.

Further payments for Etheridge, which already trades with Techtron's Grand Rapids subsidiary, will be related to the amount by which the US company's adjusted pre-tax profits exceed $750,000 in the year ended December 31 1988.

Wace has also bought four more pre-press and printing companies in the UK for a total of up to £4.4m in cash and shares.

Initially, Wace will pay £1.9m for three London-based companies – Character, an artwork studio, Diagraphic, a magazine typesetter, and Universe, which typesets financial documents. Further payments of up to £2.5m depend on pre-tax profits in 1989 and 1990.

News Digest

TEXTURED JERSEY

Interim slip leaves profit at £422,000

TEXTURED Jersey, the maker of knitted jersey fabric, saw pre-tax profits slip from £605,000 to £422,000 in the six months to the end of October. The interim dividend is being maintained at 2.5p.

The company said that the Government's policy of restraining consumer demand and poor trading conditions have adversely affected profit

Turnover was up at £11.36m (£10.35m) as were interest charges at £182,000 (£122,000). After tax of £148,000, earnings were down at 7.06p (10.18p) per 10p share.

CONT'L ASSETS

NAV recovery continues

Continental Assets Trust, the investment trust, reported undiluted net asset value of 119p at December 31 1988, compared with 84.5p a year earlier. The diluted figure was 115.9p.

At June 30 1988 NAV was 106.6p (143.6p for June 30 1987) basic and 105.5p (136.4p) fully diluted. Revenue before tax for 1988 was 86 per cent ahead at £108,000 (£58,000). Earnings per 75p share worked through at 0.42p (0.12p) and the dividend is a proposed 0.35p (0.1p).

The company said that its major exposure was to the Dutch, German and French exchanges, which rose by 16.4, 18.2 and 38.7 per cent

MINTY

Disappointing first half

Minty, the furniture maker, yesterday revealed that it had received a number of approaches which might lead to the sale of its manufacturing businesses.

It also announced a disappointing first half which saw sales improve by £1.42m to £3.84m but losses increased from an adjusted £115,000 to £168,000 pre-tax.

DERBY TRUST

Revenue and earnings up

Net earnings per income share of Derby Trust, a split capital investment trust, worked through at 11.8824p (10.849p) in the 12 months to end-1988.

Revenue before tax expanded to £1.99m (£1.83m). The second interim dividend for the year is raised to 6.823p

ASSOC NURSING

Second half confidence

Associated Nursing Services, the USM-quoted homes for the elderly group, lifted pre-tax profits from £213,000 to £273,000 in the 28 weeks to October 15 1988. Turnover expanded from £987,000 to £2.43m.

After tax of £61,000 (£64,000), earnings per 10p share rose marginally to 4.2p (4.1p). No dividend is payable for the period

CAULDON GROUP

First full year brings profits

Cauldon Group, the specialist tool maker and engineer, reported taxable profits of £271,000 for the 12 months to end-September 1988 – its first full year of trading since the acquisition of the William Boulton Group in July 1987.

The outcome compared with a deficit of £100,000 in the three months to September 30 1987. Turnover rose to £3.72m (£477,000). Earnings per 5p share worked through at 0.48p against losses of 0.23p. No dividend is proposed.

NORBAIN ELECT

Static profits, lower turnover

Norbain Electronics remained almost static in the six months to October 30, with pre-tax profits at £22,000, up from £20,000. Turnover was considerably reduced to £5.8m (£11.34m). Earnings per 5p share were up to 0.25p (0.18p). There is no interim dividend.

WM SOMMERVILLE

Maintenance hits profits

Exceptional maintenance cut taxable profits at William Sommerville, a paper maker, from £415,000 to £330,000 in the six months to end-November 1988. Turnover was £5m (£4.64m). Earnings per share were 32.62p (41.68p). The interim dividend is maintained at 1p.

COURSES

MITSUI FINANCE ASIA LIMITED

(Incorporated in the Cayman Islands)

US$150,000,000

Guaranteed Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three month period, 30th January, 1989 to but excluding 28th April, 1989 the Notes will carry an Interest Rate of 9⅝% per annum. Coupon will be US$235.28 on the Notes of US$10,000.

Mitsui Finance Trust International Limited

Agent Bank

Wells Fargo & Company

U.S. $200,000,000

Floating Rate Subordinated Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 31st January, 1989 to 28th February, 1989 the Notes will carry an Interest Rate of 9⅜% per annum.

Interest payable on the relevant interest payment date 28th February, 1989 will amount to US$72.92 per US$10,000 Note and US$364.58 per US$50,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

U.S. $500,000,000

The Republic of Italy

Floating Rate Notes due 2005

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from January 31, 1989, to February 28, 1989, the Notes will carry an interest rate of 9⁵⁄₁₆% per annum. The interest payable on the relevant interest payment date, February 28, 1989, will be U.S. $72.43 per U.S. $10,000 nominal amount in Bearer (Coupon No. 42) or Registered form and U.S. $1,810.76 per U.S. $250,000 denomination in Bearer form (Coupon No. 42).

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

January 31, 1989

CHASE

compagnie bancaire

¥10,000,000,000

Floating Rate Notes Due 1995

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 3rd February, 1989 to 3rd August, 1989:

(i) the Rate of Interest for the Notes will be 5.15% per annum, and

(ii) the Interest Amount will be ¥255,384 per ¥10,000,000 Note.

Agent Bank
The Long-Term Credit Bank of Japan, Limited
Tokyo

Isveimer

U.S. $100,000,000

Floating Rate Participation Certificates Due 1992

issued by Morgan Guaranty GmbH for the purpose of making a loan to

Istituto per lo Sviluppo Economico dell'Italia Meridionale

(a statutory body of the Republic of Italy incorporated under Law No. 298 of April 11, 1953)

In accordance with the terms and conditions of the Certificates, the rate of interest for the Interest Determination Period 31st January, 1989 to 28th February, 1989 has been fixed at 9⁹⁄₁₆%. Interest accrued for the above period and payable on 31st July, 1989 will amount to US$74.38 per US$10,000 Certificate.

Agent
Morgan Guaranty Trust Company of New York
London Branch

TECHNOLOGY

A colour ribbon that leads to picture quality

David Fishlock explains how ICI scientists combined skills to create a product for electronic printing

How do you capture a colour picture faithfully from an electronic signal? That was the challenge ICI scientists, then working in data storage and retrieval, set themselves in the early 1980s.

They were responding to something stirring in Japan, where the electronics industry had spotted a potential market in equipment that could recover high-quality colour prints from a television or computer screen, or a video camera. This large international market, extending from business to education, embraces users of visual display units and the more affluent owners of video recorders, all of whom may want a high-quality printed image as a permanent record.

The ICI scientists, led by William Barlow at Runcorn in Cheshire, saw it as a chance to invent a new effect by combining ICI skills in chemistry and synthesis of materials.

Until then, printed images had been achieved only clumsily by setting a camera in front of the screen. In the case of television images, the result was particularly unsatisfactory because the image – meant to be viewed at relatively long range – was too grainy to be viewed close up, as a photo would be.

Part of the answer is the thermal printer. About two dozen companies – half of them in Japan – are now chasing the market with their versions of this equipment.

The first model was demonstrated two years ago by Hitachi, which ICI believes to be ahead of the others in the field. ICI's invention – called dye diffusion thermal transfer (D2T2 for short) – is designed to complement and enhance the Hitachi equipment. ICI has applied electro-optic technology, which has characteristics of both printing and photography, to produce "almost photographic quality prints," explains Barlow.

So high is the quality of the picture produced by Hitachi using D2T2, he says, "we have trouble persuading people it is not a true photograph but an electronic image."

Now his aim is to convert every user of thermal printers to the D2T2 technology. ICI's product will be a "colour ribbon", analogous to a camera film, which carries precisely spaced patches of dyes for the three primary colours – yellow, magenta and cyan.

The thermal head of the video printer transfers the three dyes, successively, from the colour ribbon to the white receiver paper or transparency, as shown in the diagram.

The image is digitised. Inside the thermal head are thousands of minuscule heating elements – up to 400 to the inch – each separately driven by the digital signals, which translate into an individual temperature for each point on the picture. The precise temperature of each element determines how much dye is transferred from the colour ribbon to any given spot on the paper. Each line of electronic data is "written" in 60 milliseconds.

When transferring dye, the elements run at about 350 degrees C. The colour ribbon – thinner than clingfilm and drawn continuously across the head – must withstand all these stresses without sticking.

In 1983, Barlow and the team became part of the newly created ICI Electronics division. They were able to gather the science they needed for D2T2 from several parts of ICI, demonstrating the new common purpose of ICI science instigated by its research and technology director, Sir Charles Reece.

From the organic chemists of the former dyestuffs division came a matching set of three heat-sensitive dyes. These are dispersed molecularly in the colour ribbon, which remains transparent like multi-coloured clingfilm. Each dye molecule is free to move independently under the influence of heat and pressure.

For film technology, the team turned to ICI Films and its surface science. For the colour ribbon, new resins were formulated to ensure integrity at up to 380 degrees C and in conditions of low friction. For the paper, the team needed coatings to optimise dye receptivity and diffusion characteristics to speed the dye molecules on their way.

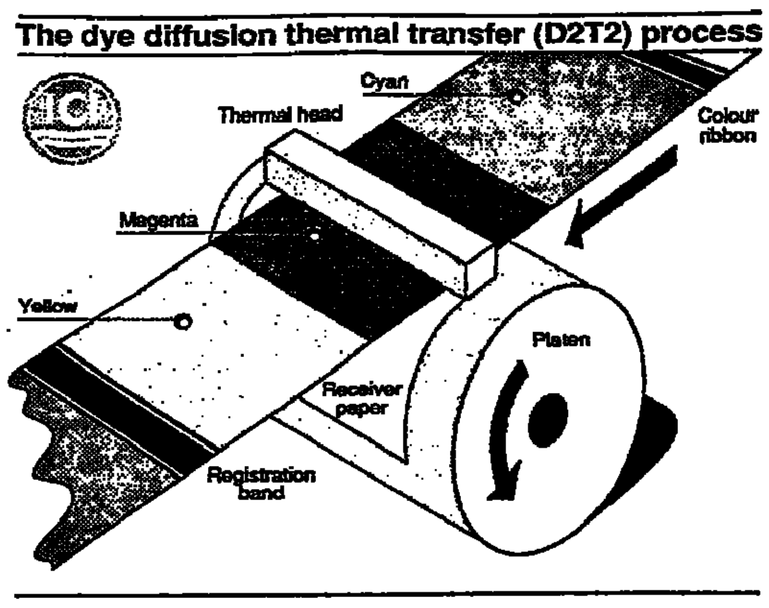
The scientists drew up a model of the D2T2 process on a computer with the assistance of Manchester University's department of mathematics. This helped them to discover that the basic physics was not as they had imagined.

They had at first believed that dye molecules were turning straight from solid to vapour in a process known as sublimation. In fact, the dye molecules were passing through the various plastic layers by diffusion. To follow events, the team engaged the expertise of Birmingham University in thermal microscopy and that of their fellow ICI scientists working with a scanning electron microscope.

By 1987, they were arousing tremendous excitement among the supplier of electronic printing systems with the "almost photographic" quality of their prints, says Barlow. He contends that the outcome is scientifically sophisticated but mechanically much simpler than other electronic printing processes, which need transfer elements – such as ink jets – which may clog up.

Barlow estimates that it took about 150,000 man-hours to make the first prints by D2T2. It is his hope that the colour ribbon will be in production this summer.

The dye diffusion thermal transfer (D2T2) process



At present it takes about 80 seconds to make a print by D2T2 technology. But the ICI team expects this to drop substantially as transfer technology advances, for example, by using lasers instead of thermal printing heads.

As with all research in advanced materials, one of the most difficult questions is how far ICI should go "downstream" into the territory of the electronic printing system supplier. "You have to understand what the customer is doing in order to understand his needs," says Sir Charles Reece (who retires today as research director). The aim is that the researchers should come up with a product rather than a material – so achieving greater added value.

Staying close to the customer in up-and-coming market sectors like electronic data recovery and printing, which are dominated by Japan, also means investing in research and development in that nation.

Barlow, now technical director of ICI Imagedata, part of ICI Films, has a team of several dozen engaged in this technology, divided between Tsukuba, Japan, and Imagedata's laboratories at Brantham in Essex.

Sir Charles forecasts that ICI will in future invest more heavily in R&D outside Britain, "not because the UK is an unsuitable place to do research, but because we need to be working with scientists in countries like the US and Japan if we are to be part of their society."

A previous article about R&D at ICI appeared on January 25.

Where necessity is the mother of inventions which have a market

Richard Donkin looks into the motivation which helped produce the winners in the 1989 British Design Awards

■ Ben Harris had a problem. As chairman of a company specialising in group photographs, mainly of schools, he had to send out lorry-loads of wooden staging with a team of workers to set up the seating for perhaps 500 people.

The system was reasonably satisfactory when his photographers used the traditional panning camera on a long time exposure – the ones where the boy on one end can run along the back and get on the photograph twice.

But when Harris's company, Gillman and Soame, of Oxford, introduced a new camera which took a single plate photograph resulting in a finer quality print and larger profiles, he needed to compress the width of the group and increase the number of tiers.

He decided to spend £50,000 developing a safe, light, easily transportable and erectable staging system that could be adapted for groups of between 50 and 1,500. Two years later he had spent £500,000. The result was Trajan staging, an aluminium system which received the blessing of 560 bishops who used it for their group photograph at last year's Lambeth conference.

After such an outlay, Harris says he "had a few more grey hairs and a very understanding bank manager. But more to the point, we had a product which we realised had worldwide sales potential."

Gillman & Soame's Trajan staging, in the contract goods category, is one of the 16 winners of the 1989 British Design Awards. And it is typical of the problem-led, successful designs – where necessity has been the mother of invention.

The awards, announced today, also reflect the previous pattern of small company dominance. More than half of this year's winners employ fewer than 200 people.

■ For Rex Wilson, chairman of WTC, of Wigan, the problem was more one of survival. In the 1970s he had been making a living importing and distributing US-made welding equipment. But the fall in the pound against the dollar priced him out of the market.

A trained engineer, with 35 years' experience in the welding industry, he looked at the market, looked at the products and decided to make his own equipment. The result is the Aircrafter welding torch (components category), a new generation of plasma arc cutting tool incorporating compressed air cooling.

Early plasma torches, designed to overcome the constraints of the oxy-acetylene torch which is useless for metals that resist oxidation, employed a hot stream of current-bearing gases. These mixtures of argon, nitrogen and hydrogen had to be water-cooled.

Wilson's air plasma cutting torch uses compressed air, which dispenses with water cooling and expensive gases, and makes the machine smaller and easier to carry. The air plasma torch can cut ferrous metals and work at higher temperatures, avoiding the problem of alloy dilution and distortion.

The product has been so successful – WTC has sold 10,000 of the torch head units – that Wilson has moved to New Zealand to explore the market around the Pacific rim while his sons handle the 50-employee UK operation.

■ Toby Churchill, a former engineering student, was left a paraplegic, confined to a wheelchair and unable to speak after swimming in a polluted river. His chief problem was one of communication.

Working from his Cambridge bedroom, his company, Toby Churchill Ltd, which consists of himself and a development team of three, has created the Lightwriter SL1 (medical equipment category). This compact communication aid, smaller than a lap-top computer, is shaped like a roof-top with sides of unequal length. On the long side, facing the user, there is a small keyboard and screen and on the other is another screen which repeats the message to the reader.

Churchill has sold 280 Lightwriter SL1s at £392 each. He says it is typical of the type of product which cannot interest large-scale producers because they see it as having limited sales potential.

Like many of the successful entrants, Churchill engaged an industrial design consultancy to ensure that the finished article achieved the appearance of a mainstream consumer product.

■ The use of a design consultancy also paid dividends for ITM, of Aldershot, a manufacturer of audio-visual equipment, which engaged the PDD consultancy in Fulham to help develop a projection screen called Deltascreen (contract goods category).

Projection screens have not been the sexiest of products, tending to go unnoticed as long as they do the job. "We just thought we ought to have something which did the job better," says Alastair Emblem, ITM marketing manager.

The new screen looks very like its forerunners – square and white. However, it dispenses with the tripod arrangement; it is neat, stable and does not trap the fingers when being put up. "A lot of people have come up to me and said 'Why didn't I think of that?'," says Emblem. "I suppose that is the essential ingredient of any new design."

Demand for the screen, which costs £160, has outstripped supply and ITM has had to move its 30-employee operation to premises twice the size of the orginal site.

■ The problem facing Crabtree Electrical Industries was an obvious gap in their range of electrical accessories: the lamp-holder.

Crabtree took up a private invention which not only plugged this gap, but also overcame the last area of the home where bare terminals could be exposed, the empty lamp socket. The company developed the safety lamp-holder (components category), incorporating a spring-release contact breaker which automatically isolates the contacts once the bulb is removed.

Based in Walsall and part of the Hanson group, Crabtree is selling 250,000 a year.

Other award winners are:

Consumer goods category: Nautech, of Portsmouth, for the Autohelm electronic hand bearing compass; engineering products: Willan Design, of Stevenage, for its advanced insulating glass production system; medical equipment: Micro Medical, of Rochester, for the Micro Spirometer used for measuring breathing, Unipath, of Bedford, for the Clearblu One Step home pregnancy test; computer software: Metapraxis, of Kingston upon Thames, for Resolve, a program which displays company data in a clear visual form for managers, JBS Computer Systems, of Macclesfield, for Multiview software, a user-friendly package for the Unix computer operating system; Number One Systems, of Huntingdon, Cambridgeshire, for the Easy PC program for the design of printed circuit boards; motor industry: GKN Composites, of Telford, for the LiteRide composite spring; TRW Cam Gears, of Clevedon, for the Centre Plus power steering system that gives steering precision at high speeds; T&N Technology, of Trafford Park, Manchester, for the Aeconoglide piston which reduces energy loss due to friction; components: Renishaw Metrology, of Wotton-under-Edge, Gloucestershire, for motorised probe heads which enable the automatic inspection of components to be more comprehensive, accurate and cost effective.

COMMODITIES AND AGRICULTURE

No meeting of minds at cocoa pact talks

David Blackwell on the yawning gap between producers and consumers

ALMOST THREE years ago cocoa prices fell sharply (to £1,509 a tonne) on news that the Ivory Coast would not join the new cocoa agreement. Mr Denis Bra Kanon, the Ivory Coast Minister of Agriculture, told the United Nations Cocoa Conference in an emotional speech: *"We are all subject to the arbitrary decisions of the exchanges in New York, Chicago, London and Paris. Nobody can guarantee us a minimum price."*

In the event the Ivory Coast, the world's biggest producer, did join the agreement, but it did not find the Shangri-La of price support. In fact world prices fell even further to hit £722 a tonne in September last year. And on Friday the latest session of International Cocoa Organisation's talks collapsed in London, failing to find any solution to the problems that have paralysed the agreement's market support mechanism for the past year.

The reason behind the failure to agree on any of the important issues last week, according to one leading consumer delegate, was that consumer countries saw the agreement as a means of stabilising prices around a trend, while producers saw it as a means of supporting prices.

"These are two completely opposing and incompatible philosophies," said the delegate.

The agreement set out with the intention of stabilising *prices by the operation of a* buffer stock, but market prices fell so far and so fast early last year that buffer stock buying had little effect.

On the London cocoa market prices appear to have stabilised recently around £850 a tonne. At the end of last week the ICCO 10-day average indicator stood at 1,071.28 Special Drawing Rights (SDRs). But at the ICCO talks producers refused to countenance a cut of 115 SDRs a tonne in the defence price range to between 1,370 and 2,040 SDRs a tonne.

Consumers maintain that, under the rules of the agreement, the cut should have been made automatically last March when the buffer stock reached the maximum permissible 250,000 tonnes.

Mr Peter Baron, consumer spokesman, said last week that the key to progress at the talks lay in agreement to cut the defence price range. He was disappointed not only on this issue, but on several others of equal importance.

The buffer stock is funded by a $30-a-tonne levy on exports and imports of cocoa. The Ivory Coast has never paid the levy on its exports, and it owes the agreement $56.4m out of total arrears of $84.6m. Most other producing countries have stopped paying the levy on exports, leaving the import levy paid by consumer countries as the sole source of income.

Consumers wanted the levy suspended so that arrears did not continue to mount. They were *incensed by a statement* from Mr Moma Mohammed, the producer spokesman, saying that when an organisation was in a critical financial situation, it was not the time to suspend the funding. Consumer delegates now query whether their countries will be willing to shoulder the burden much longer.

Mr Juergen Plambeck, the buffer stock manager, has been left in a particularly uncomfortable position. He told the talks that he needed to rotate 10,000 tonnes of the stock at a cost of $2.2m to maintain its quality, but the meeting did not approve a budget for rotation. The consumers now say that he is obliged to rotate in any case, while the producers disagree. Whatever he does in the next six months will upset one side or the other.

Producers were also keen to get on with the withholding scheme, supposed to be the next level of defence once the buffer stock was complete. They were willing to store up to 120,000 tonnes of cocoa under the scheme at their own expense – estimated at $15.6m for a full year. But consumers remained adamant that without funds, the ICCO should do nothing more.

At current rates of expenditure and income, the ICCO will run out of money shortly after the next meeting in September. The buffer stock manager is not allowed to incur debt, so he will be obliged to start selling off the buffer stock to raise funds. In any case, if the agreement is not extended beyond September 1990, he will have to liquidate the buffer stock over a period of 4½ years.

The threat of an extra *250,000 tonnes coming onto the* already overburdened market through buffer stock selling should in theory concentrate delegates' minds in September. Prices have not crept far ahead of the recent 12¾-year lows, and the support they have had has come from independent action by the Ivory Coast.

At the beginning of this month it sold 400,000 tonnes of its cocoa to Sucres et Denrees, the French trade house, which is to put 200,000 tonnes in storage. Consumer countries regard this as illustrative of the Ivory Coast's lack of commitment to the agreement, while the Ivory Coast believes other producers should make similar deals to support world prices.

Consumers were keen last week to learn more details of the controversial deal, which is being investigated by the European Commission. But the Ivory Coast insisted that it had made a private contract, and the price paid by Sucden for the cocoa remains unknown.

The Ivory Coast action came in the face of a growing world surplus of cocoa. The country has refused both to cut the price it pays its growers and to sell its cocoa below what it considers a profitable price – FFr 1,200 per 100 kg.

It has undoubtedly kept world prices higher than they would otherwise have been, analysts believe. But in the long term consumers are bound to switch away from its top quality cocoa to other producers, such as Malaysia and Indonesia, which do not belong to the ICCO.

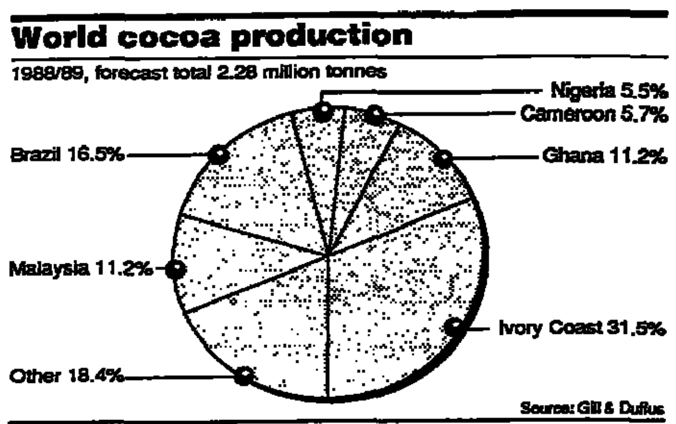
However, the Ivory Coast has been consistent in its attitude to the cocoa agreement. It still sees speculators and terminal markets as the enemies of strong cocoa prices. It appeared reluctant to join in the first place, and it has given strong hints that it is not interested in another agreement.

Meanwhile, as Mr Baron pointed out last week, the absolute deadlock at last week's talks has put commodity pacts in general in a bad light.

As another delegate put it: "If you're talking about international co-operation, this session has done considerable damage."

World cocoa production

1988/89, forecast total 2.28 million tonnes



Source: Gill & Duffus

NZ wool sales hit by supply shortages

By Dai Hayward in Wellington

A SHORTAGE of offerings has forced the cancellation of two February wool auctions in the North Island of New Zealand with another March auction delayed in the hope that more wool will come forward.

A big drop in the national sheep flock – the result of the severe South Island drought – and changed shearing patterns because of weather, have created the shortage. All fine wools were sold by mid-December.

The shortage in February has been caused by the gap between the full length shearing, which is several weeks ahead of usual, and the start of the autumn shearing. Wool men doubt that there will be sufficient wool available to meet the March and April requirements.

Some wool exporters still have to buy their requirements to meet outstanding shipments to China and the Soviet Union and there has also been increased demand from European countries. However, European buyers have been seeking longer length wool, of which a limited quantity is available.

A question mark still hangs over the quantity which China still requires. Last season it took 50,000 tonnes – 20 per cent total exports. This season, however, China has already bought 44,000 tonnes – more than one third of total exports of longer length wool – in the first six months (to the end of December).

Gold comes under further pressure

By Kenneth Gooding, Mining Correspondent

GOLD BULLION, which fell through the psychologically important $400 a troy ounce barrier again on Friday, continued its decline yesterday and some dealers suggested the price might test $385 before long.

There were also estimates about gold imports by the world's two biggest bullion buyers. These suggested that official gold imports to Taiwan this year might drop by 20 per cent from the 1988 record of 354.7 tonnes (11.4m ounces) but that Japan's imports could jump by 8 to 10 per cent to about 325 tonnes (10.4m ounces).

The forecasts were made by various dealers and analysts in those countries and monitored by Mr Jeffrey Nichols, managing director of the American Precious Metals Advisors consultancy organisation.

He pointed out that Japan imported about 297 tonnes of gold bullion and another 21.8 tonnes of gold coins last year. "Forecasts about bullion imports for 1989 range from a low of about 280 tonnes to as much as 360 tonnes – but the consensus seems to be roughly 325 tonnes," he said.

According to Mr Nichols: "Taiwan's central bank made headlines as perhaps the single biggest buyer of 1988. This year it is likely to continue adding to official gold reserves, but discreetly in a manner which will attract as little notice as possible. Private-sector gold interest, however, will probably continue to expand throughout the year ahead."

Meanwhile, gold was "fixed" in London yesterday afternoon at $394 an ounce, its lowest for more than four months. At the close it had recovered slightly to $394.25, down $5 an ounce since Friday's close.

Dealers said the main influence was the firmer dollar, which was above the important 130 yen level for the first time since early October. "The dollar is keeping precious metals under pressure, particularly as there was no sign of central bank intervention," one dealer suggested.

Several analysts last week suggested that gold was in a long-term bear trend, likely to last until the last quarter of this year and to see the price fall as far as $300 or $325 an ounce.

Peruvian miners issue fresh strike threat

By Veronica Baruffati in Lima

THE FEDERATION of Miners, Metallurgical and Steel Workers in Peru has threatened to call a 72-hour strike if the Government does not set up a committee to look into their nationwide claim by the second week of February.

National mine union officials have said they are demanding that mine owners reinstate miners dismissed after two national strikes last year and stick to commitments to provide holidays and bonuses.

Mr Guillermo Diaz Sojo, a miners' spokesman, praised the Government's passing of a new law introducing early retirement for miners, and the annulment of the decree which had declared the national mining industry in a state of emergency.

"The early retirement law and the annulment of the decree which declared the mining sector in a state of emergency were two important aspects of our claims. We now demand that the Government fulfil its obligation to set up a multi-sectoral committee to find a solution to our nationwide demands," said Mr Diaz.

In the meantime, miners' representatives are meeting officials from the Ministries of Labour, and Energy and Mines, in an attempt to find a solution to their demands.

Centromin, the state mining company, which employs 12,000 miners in 17 unions, reached an agreement on January 26 after four weeks of arduous discussion. But the 60,000 strong national confederation has continued to push its nationwide claims in parallel, so that there have been two tracks of negotiation.

In recognition of the difficult situation Centromin is facing at present, the miners agreed to accept lower wage increases than were originally demanded.

● News of the Centromin agreement prompted profit-taking in the London Metal Exchange zinc and copper markets yesterday. Traders said this reduced the likelihood of a strike holding up supplies of Peruvian zinc metal and concentrates, particularly if other producers and their workers followed suit. But they added that any further price dips were likely attract buyers in view of the markets' sound fundamentals.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium high grade	+1,050	to 148,450
Copper Grade A	+1,350	to 77,475
Lead	–7,150	to 32,825
Nickel	+48	to 6,132
Zinc	–3,275	to 33,275
Tin	–285	to 4,460
Silver (ozs)	–70,000	to 14,574,000

Dairying fares best as overall incomes slide steeply

Bridget Bloom studies official figures showing wide variations between agricultural sectors

BRITAIN'S FARM incomes fell by a dramatic 25 per cent last year although official figures published yesterday show marked variations between sectors. Dairy incomes rose by a healthy 25 per cent but incomes from arable farming and from pigs and poultry fell to record low levels.

The new figures, published in a report which replaces the annual review of agriculture, include Inland Revenue estimates obviously intended to suggest that farmers may have a more of a cushion against falling farm incomes than was once thought.

Farmers are estimated to receive only 50 to 60 per cent of their total taxable income from farming, the remainder being from other earned income (about 15 per cent) and from pensions and investments.

The report notes that "no single indicator of income can provide a complete picture" of the way Britain's farms have fared in the recent years, faced with three poor harvests out of four and the continuing reforms of the European Community's common agricultural policy which are cutting back farm gate prices in an effort to pare production and so budgetary costs.

Three principal measures are used, starting with aggregate income. Effectively this is arrived at by taking gross output, and removing gross input, depreciation, labour, interest charges and net rents. The report notes: "There was little change in the overall quantity, average price or value of the industry's output but with higher input costs, its net product fell by nearly 7 per cent" in 1988. After deducting labour costs, interest and rents, this was "reflected in a 25 per cent fall in aggregate farming income."

Its second measure is the cash flow of farmers and their spouses "which may be closer to how many farmers . . perceive their earnings from agriculture." This shows a 21 per cent fall in current prices for 1988. In real terms this is shown as a 24.5 per cent decline.

These cash flow figures look somewhat less stark if they are applied not just to farmers and their spouses but to partners, directors and family workers as well: they become, respectively, falls of 15.8 per cent and 19.5 per cent.

On any measure, however, overall incomes are steeply down, whereas there are marked differences between sectors. Here, one set of figures gives a forecast for 1989-89 (ending February) expressed in terms of 1982-83 as the base year (1982-83= 100). UK dairy farmers are shown at 130, livestock farmers in hill areas, 125; cereals, –10; and pigs and poultry, –60. In real terms (deflated by the retail price index) these figures become: *dairy, 100; hill livestock, 95; cereal, –5;* and pigs and poultry, –45.

Expressed in another way (and this time for the year ending February 1988 compared to 1986-87) English dairy farmers are shown as having net income of £18,500 in 1987-88, against £15,300 a year earlier, while arable farmers dropped to £6,000, against £16,400 a year earlier. Pig and poultry incomes were down to £14,300 from £17,000 – though this was before the worst of the cyclical trough which hit both industries last year, as well as before the current egg crisis.

In broad terms these figures provide proof that while production quotas on milk have enabled dairy farmers to rationalise their businesses and improve their incomes, and high support levels from Brussels have maintained incomes in "least favoured" hill areas, the combination of poor harvests and the Brussels farm reforms have hit cereal farmers hard. The pig and poultry industries are very lightly supported by Brussels, so the explanation there is rather of cyclical over-production.

The report promises more detail on farm incomes in this year's Farm Incomes Survey, expected in a few weeks. That survey may – as yesterday's report does not – go into further detail on the 113,000 farm holdings estimated at under about 40 acres. These are considered too small for inclusion in the calculations which produced yesterday's income figures. (Interestingly however, the number of actual farm holdings in Britain is shown as having increased to 255,400 in 1988 compared to 252,100 in 1984, principally because of a rise in the number of very small holdings from 102,700 to 113,200)

Elsewhere, the report shows that agriculture's assets cover its liabilities six times – against about eight times in 1983. It also notes the declining importance of agriculture in the nation's economy, where it contributes 1.5 per cent to GDP at current prices, compared to 2.2 per cent in the 1970s. Farming employs 586,000 people, or 2.5 per cent of the employed workforce against 2.7 per cent a decade ago.

Agriculture in the UK: 1988. HMSO, £7.60.

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE METAL prices were generally lower on the LME yesterday, with the exception of lead, which closed steady after rising in morning trading on news that stocks in LME warehouses fell 7,150 tonnes last week. Some traders said it was likely this metal had been taken off LME warrant in the hope that the impression of increased demand would boost prices, but was still lying in European warehouses. Nickel prices retreated, with the cash premium over three-month metal narrowing sharply. Sentiment reflected a lack of fresh demand from major steel mills and warehouse stocks which have remained above 6,000 tonnes this month. Coffee prices edged ahead following gains in New York. ICO figures showed that producer shipments are running behind schedule – but this merely confirmed market feeling, dealers said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.13-4.22z	-.325
Brent Blend	$16.70-6.80w	-.425
W.T.I. (1 pm est)	$17.55-7.60z	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$184-186	
Gas Oil	$142-143	
Heavy Fuel Oil	$72-74	
Naphtha	$159-161	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$394.25	-5.0
Silver (per troy oz)♣	584c	-22
Platinum (per troy oz)	$516.0	-11.25
Palladium (per troy oz)	$135.0	-2.75
Aluminium (free market)	$2265	-80
Copper (US Producer)	162⅝-167c	+3
Lead (US Producer)	40c	
Nickel (free market)	840c	
Tin (European free market)	£4365	+20
Tin (Kuala Lumpur market)	20.49r	+0.07
Tin (New York)	360.5c	
Zinc (US Prime Western)	76¾c	
Cattle (live weight)†	109.98p	-0.16*
Sheep (dead weight)†	141.23p	-1.11*
Pigs (live weight)†	79.78p	+1.58*
London daily sugar (raw)	$242.0x	+6.2
London daily sugar (white)	$280.0x	+3.2
Tate and Lyle export price	£245.5	+4.5
Barley (English feed)	£114w	
Maize (US No. 3 yellow)	£132.5w	-1.0
Wheat (US Dark Northern)	£124.95v	+0.75
Rubber (spot)♥	62.75p	+0.75
Rubber (Mar)♥	72.50p	+0.75
Rubber (Apr) ♥	73.00p	+0.75
Rubber (KL RSS No 1 Feb)	315.0m	-0.5
Coconut oil (Philippines)§	$545u	
Palm Oil (Malaysian)§	$400q	
Copra (Philippines)§	$380	+10
Soyabeans (US)	$184	
Cotton "A" index	64.75c	+0.90
Wooltops (64s Super)	660p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Apr/Jun. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	843	862	865 840
May	853	869	875 848
Jul	836	852	855 828
Sep	835	851	851 833
Dec	845	863	862 842
Mar	852	869	868 850
May	860	879	860 859

Turnover:5438 (4133) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 27: 1115.98 (1105.96):10 day average for Jan 30: 1078.44 (1071.28) .

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1190	1193	1190 1170
Mar	1185	1178	1187 1166
May	1142	1142	1143 1125
Jly	1123	1130	1124 1115
Sep	1125	1138	1117 1110
Nov	1118	1142	1120 1110
Jan	1118	1145	1114 1110

Turnover:2535 (5105) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 27: Comp. daily 121.98 (123.88); . 15 day average 124.45 (125.43).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	218.00	215.40	219.00 214.40
May	220.40	219.00	222.20 218.00
Aug	220.60	218.60	221.00 217.60
Oct	219.00	218.00	220.80 217.80
Dec	217.00	216.00	215.00
White	**Close**	**Previous**	**High/Low**
Mar	280.00	275.50	280.00 271.60
May	270.00	267.00	269.50 257.00
Aug	268.50	267.00	268.00 266.50
Oct	261.60	261.00	261.00 260.50
Mar	255.00		254.50
May	254.00		252.50

Turnover: Raw 2689 (4034) lots of 50 tonnes. White 2512 (1138).
Paris- White (FFr per tonne): Mar 1750, May 1704, Aug 1704, Oct 1650, Dec 1635, Mar 1625

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2150	182	171	30	162
2250	95	120	55	131
2350	49	82	108	190
Copper (Grade A)	**Calls**		**Puts**	
3000	290	351	30	162
3200	154	162	92	257
3400	68	99	204	399

TEA

At this weeks tea auction, there were 21,065 packages on offer, including 4,800 in the offshore section, reports the Tea Brokers' Association. There was less general demand. Selected better liquoring Assams remained firm with Pekoe dusts a strong feature but all other descriptions showed irregularity and were generally easier. A few bright liquoring Africans maintained their previous levels but medium and plainer teas fluctuated at lower rates with some withdrawals. Bright Ceylons were well supported at firm to dearer rates. Plainer sorts were generally easier. Offshore teas met good demand at fully firm rates. *Quotations: quality 140p nominal (149p), medium 110p (116p), low medium 88p (86p).*

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,775 tonne
Cash	2275-80	2325-35	2285	2280-5		
3 months	2252-5	2300-5	2300/2245	2260-5	2245-50	24,786 lots
Copper, Grade A (£ per tonne)						Ring turnover 33,275 tonne
Cash	1882-4	1916-7	1912/1910	1912-2.5		
3 months	1803-4	1838-9	1835/1800	1830-1	1797-9	65,158 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	579-82	600-3		582-5		
3 months	592-5	613-6		595-8		375 lots
Lead (£ per tonne)						Ring turnover 4,425 tonne
Cash	375-6	375-6	380	378-8.5		
3 months	379-9.5	378-9	382/379	379-80	378-9	9,883 lots
Nickel ($ per tonne)						Ring turnover 2,118 tonne
Cash	17500-600	18300-500		18000-200		
3 months	17700-50	17900-8000	1800/17700	17775-800	17650-700	5,853 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 2,625 tonne
Cash	1865-75	1965-70	1935/1930	1930-5		
3 months	1800-5	1875-80	1855/1810	1857-60	1810-20	3,598 lots
Zinc ($ per tonne)						Ring turnover 5,550 tonne
Cash	1795-800	1878-80	1848	1848-50		
3 months	1780-5	1818-20	1810/1755	1790-5	1755-60	12,061 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	69.0	68.3	69.5 67.8
May	79.4	78.5	79.5 78.0
Nov	87.0	84.0	

Turnover 161 (76) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	165.60	165.50	165.50
Aug	153.00		153.00

Turnover 40 (45)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1625	1621	1625
Feb	1580	1578	1580 1560
Apr	1618	1621	1621 1603
Jul	1430	1427	1430 1420
Oct	1560	1555	1560
Jan	1570	1560	1570 1550
BFI	1619	1617	

Turnover 643 (571)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	111.45	112.50	112.35 111.45
May	115.15	116.05	115.85 115.15
Jun	116.85	117.75	117.40 116.85
Sep	102.70	102.90	102.90 102.70
Nov	105.10	105.35	105.35 105.10
Jan	108.50	108.80	108.75 108.50
Barley	**Close**	**Previous**	**High/Low**
Mar	108.05	109.40	109.00 108.05
May	110.05	111.25	110.85 110.05
Sep	99.95	100.20	100.10 99.95
Nov	102.75	102.90	102.75

Turnover: Wheat 356 (366) . Barley 67 (105) . Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	394-394½	[illegible]
Opening	394¼-394¾	[illegible]
Morning fix	394.30	224.0[illegible]
Afternoon fix	394.00	224.1[illegible]
Day's high	394½-395	
Day's low	393-393½	

Coins	$ price	£ equivalent
Mapleleaf	405-410	230-233
Britannia	405-410	230-233
US Eagle	405-410	230-233
Angel	405-410	230-233
Krugerrand	393-396	223-[illegible]
New Sov.	92¾-93¼	52½-[illegible]
Old Sov.	92¾-93¾	52½-[illegible]
Noble Plat	539.75-546.75	306.[illegible]

Silver fix	p/fine oz	US cts equiv
Spot	334.05	586.[illegible]
3 months	344.85	600.[illegible]
6 months	355.40	614.[illegible]
12 months	375.55	644.3[illegible]

CRUDE OIL $/barrel

	Close	Previous	High/Low
Mar	15.96	16.30	[illegible]
Apr	15.55	15.90	[illegible]
IPE Index	16.32	16.73	

Turnover: 3305 (4171)

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	145.00	145.00	145.50 [illegible]
Mar	142.50	143.25	143.75 [illegible]
Apr	138.75	139.50	139.75 [illegible]
May	136.00	137.25	138.50 [illegible]
Jun	134.00	134.75	135.00 [illegible]
Jul	133.00	134.25	134.50 [illegible]

Turnover 5089 (7000) lots of 100 tonnes

US MARKETS

MOST of the metals continued their recent downward slide with copper futures posting the biggest decline, reports Drexel Burnham Lambert. March copper closed at 142.45c down 4.8c as news of a possible settlement in the miners strike was noted. An increase in LME and Comex stocks also added weakness. Gold and silver futures eased on mixed trade and commission house activity. Platinum prices were firm on light volume. In the softs, cocoa futures fell 30 points in the March contract with trade and arbitrage selling featured. Coffee prices corrected Fridays decline by gaining 1.98. Sugar futures were slightly higher on mixed trade activity. The grains had higher prices in the soyacomplex in sideways trading. Maize and wheat futures had very narrow ranges for the day with prices softening near the close. The meat markets were all higher to begin the week. Technical buying and concern over forecasts of colder weather prompted short covering in the cattle. Pork bellies and hogs gained on firmer fundamentals and spillover buying from the cattle. The crude oil market declined on trade and local selling with no news reported. Gasoline futures were steady.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 27	Jan 26	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Renewed buying drives equities ahead

THE UK equity market surprised even its own pundits yesterday by continuing its onward surge in heavy trading. At one time, the FT-SE index climbed above the level last seen at the close of the first day of the October 1987 Crash, but it was cut back sharply towards the close when Wall Street lost its shine in early dealings.

There were signs of strain in the market as the UK institutions, brushing aside suggestions from some quarters that share prices were due for a rest, pressed in to buy the blue chips from market makers who have been short of stock for more than a week. The excitement was fuelled by a fresh advance in the FT-SE futures contract, which traded on the London International Financial Futures Exchange at a premium of around 50 points for most of the session, closing at a premium of 37-40 points after record post-Crash turnover. The Footsie future closed on Friday with a 27 point premium, and has been leading the equity market throughout its recent upswing.

Account Dealing Dates			
*First Dealings:	Jan 16	Jan 30	Feb 13
Option Declarations:	Jan 26	Feb 9	Feb 23
Last Dealings:	Jan 27	Feb 10	Feb 24
Account Day:	Feb 6	Feb 20	Mar 6

*New time dealings may take place from 9.00 am two business days earlier.

The FT-SE index itself closed a further 37 points up at 2042.9, still some way short of the 2301.9 close on the eve of the 1987 Crash; but the Footsie touched 2072.7 yesterday, hitting into Black Monday's 250 point loss. Seaq trading volume of 1.1bn shares at 5.00pm was running close behind previous record levels recorded on Friday.

"It was all a bit of a surprise for us", confessed one trader. "The feature was the phenomenal turnover in the Footsie future."

The market opened quietly as the new trading Account got under way. Wall Street's powerful performance on Friday was offset by warnings from the UK weekend press that London equities might boil over this week. However, shortly after the first calculation of the FT-SE index, UK institutional buyers appeared and substantial gains were swiftly chalked up by leading stocks.

The first half of the session was marked by heavy buying of such heavyweight issues as British Steel (69m shares traded), British Telecom (15m) and British Gas (13m). Some of the more spectacular gains were scored by Glaxo, Beecham and ICI, but these were trimmed sharply when the market reacted to Wall Street's unexciting opening.

Although most of yesterday's buying came from domestic institutions, there were hopeful references from traders with long memories to an impending "wall of money from Japan". Such comments were not taken too seriously by international traders, however, who said that the UK institutions were following a lead given some weeks ago by fund managers from Continental Europe who saw London as cheap against the German and French equity sectors.

FINANCIAL TIMES STOCK INDICES

	Jan. 30	Jan. 27	Jan. 26	Jan. 25	Jan. 24	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.57	88.79	88.39	88.53	88.37	89.17	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.09	97.12	97.25	97.03	96.91	96.38	98.07 (23/5/88)	94.14 (5/1/89)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1665.4	1639.9	1601.3	1590.8	1590.7	1433.1	1691.2 (30/1/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	170.6	173.9	173.2	171.0	170.6	282.8	312.5 (7/1/88)	160.7 (5/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.41	4.40	4.50	4.54	4.54	4.36				
Earning Yld %(full)	11.20	11.23	11.50	11.56	11.56	11.08				
P/E Ratio(Net)(*)	10.96	10.91	10.55	10.37	10.36	11.08				
SEAQ Bargains(5pm)	48,903	50,982	33,773	39,241	31,642	27,907				
Equity Turnover(£m)†	-	2228.65	1532.25	1945.92	1327.86	908.38				
Equity Bargains†	-	52,787	36,425	41,020	35,022	36,935				
Shares Traded (mil)†	-	809.2	603.6	718.9	554.7	381.8				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1647.5	1666.7	1668.8	1668.4	1683.1	1688.8	1678.2	1673.4

DAY'S HIGH 1691.2 DAY'S LOW 1647.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.89 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Jan.27	Jan. 26
Gilt Edged Bargains	131.3	105.4
Equity Bargains	342.0	234.0
Equity Value	4508.7	3097.1
5-Day average		
Gilt Edged Bargains	118.5	113.1
Equity Bargains	282.7	242.0
Equity Value	3376.0	3134.7

● London Report and latest Share Index: Tel. 0898 123001

Ultramar mystery deepens

Ultramar, the UK independent oil and gas group, settled a couple of pence harder at 310p on a sharply increased turnover of 11m shares, after the company said it would "strongly resist any bid proposal which did not fully reflect the value of its assets and prospects."

Ultramar shares have been strong performers over the past two months since a consortium made up of two Canadian companies, Unigesco and Noverco, and Banque Paribas revealed that together they controlled a near 4.27 per cent stake in Ultramar.

The statement from Ultramar said it was aware that the three companies had been trying to put together a consortium to bid for Ultramar but that it already had an effective strategy for the development of its core businesses.

Oil analysts said the Ultramar story "has a long way to go yet". There was talk in the market yesterday that there could well be another stake-builder, as yet unrevealed, in Ultramar shares, other than the above mentioned three companies and the 14 per cent holding of Sir Ron Brierley.

Doubts over Century

Shares of Century Oils, the Stoke-on-Trent-based lubricants group, climbed to 218p at one point, before slipping back to end an extremely active session a net 18 higher at 213p, with the late decline said to have reflected doubts over the chances of a full bid for Century.

Dealers said the stock had extended its recent strong performance - which began well before Christmas - amid talk of further stake-building activity as a prelude to a full bid for the company. Speculation in the weekend Press suggested that America's Exxon has been involved in stake-building over the past couple of months and could well be interested in launching a bid worth some 250p a share for Century.

Some hefty selling two weeks ago saw a near 3 per cent holding in Century change hands above the then ruling market price. It was revealed later that the share stake came from oil group Kelt, which inherited a near 5 per cent holding in Century when it acquired the Carless Capel group.

But analysts were taking the view yesterday that the bid stories were wide of the mark and that the strength of the shares was enabling Kelt to sell the rest of its stake at advantageous prices. Analysts say that Kelt is known to be keen to sell its stake and is also thought to be hoping to sell various assets to reduce debts incurred in financing the Carless takeover.

"Century reports preliminary figures in June and their profits are not steaming ahead; quite simply they won't support a share price giving a multiple of nineteen times."

BOC supported

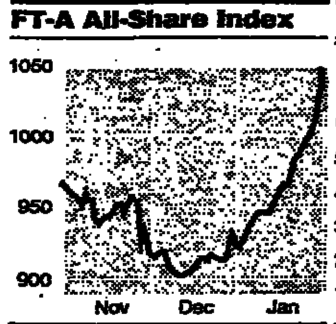
One of the day's strongest performances came from BOC, the industrial gases group, as two leading securities houses recommended the shares ahead of Friday's announcement of first quarter trading results. Both Nomura Research and Barclays de Zoete Wedd (BZW) expect the first three months to point the way for an 11 per cent gain in profits to around £235m pre-tax for the year to September 1989.

BZW sees a 12 per cent gain in the first quarter, after which it believes that the group's health care side will show accelerated growth. Nomura, predicting 15 per cent profits growth in the first three months, adds that BOC is "better placed than most" to meet a slower-growing economy.

The shares pushed through to a new twelve month high at first but slipped back later to close a net 12 higher at 486p, on turnover of 3.1m shares. Since the turn of the year, the shares have gained around 5 per cent.

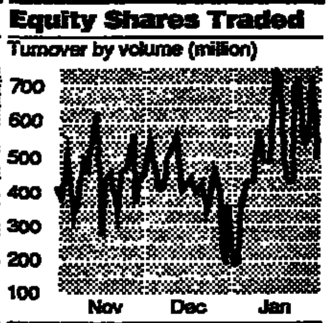
The banks were not left behind in the general scramble for shares - "with the market looking like it is, and with preliminary figures from the big four looming up, you just have to go with the overall trend," said a dealer in the sector.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Lloyds were yesterday's best performer in the banks, adding 18 at 373p on turnover of around 6m, with the shares described by one analyst as "the recent underperformer in the class." NatWest, "looking good and with a first-class yield," according to the same researcher, picked up 16 at 591p on turnover of 3.4m. Midland were a relatively sedate performer, settling 10 firmer at 469p on a moderate turnover of 2.2m. Barclays suffered from its recent relative outperformance of the sector and subsequent switching moves and closed a net 7 higher at 472p; here some 4.4m shares changed hands.

Dealers reported yet another day of keen support for Standard Chartered shares which put on 10 more to 560p with activity in the stock picking up again to 2.7m shares, well above normal levels.

The re-structuring announced last week kept interest bubbling in TSB, which jumped 4¾ more to 125½p.

The latest burst of activity across the broad spectrum of London's equity sectors gave a major boost to the merchant banks with securities trading operations. In this list SG Warburg, acknowledged to command a premium among the marketmaking fraternity, rose 17 to 335p while Kleinwort Benson jumped 8 to 323p.

Discount houses were again bought, led higher by Union Discount, which has a significant stake in USM-marketmaker Winterflood Securities, and which added 15 at 505p. Gerrard & National and Cater Allen edged up 5 apiece at 292p and 360p, respectively.

The insurance sectors drew persistent and strong support throughout the day. The big winners in lifes were Prudential, where dealers noted plenty of buying from small investors; the shares raced up 7½ to 180½p on turnover of 7.7m shares.

Composites improved across the board with the notable exception of so-called bid target Commercial Union, which came off to close 3 easier at 388p following the emergence of a sustained seller via the inter dealer broker screens in mid-morning. The John Spalvins-run Adsteam recently announced it had increased its holding in CU to just over 8 per cent.

GRE jumped 5 to 211p, General Accident 19 to 945p and Royals 7 to 434p. Sun Alliance leapt 24 to 1113p.

Glaxo turned in an exceptionally strong performance as traders took the view that the pharmaceutical stocks will again, as in the bull market which followed Big Bang in London, prove the most popular sector with international fund managers. The price increase granted recently to Glaxo's Zantac drug in US markets, although old hat to analysts, was put forward as an encouraging factor.

The shares soared above £12 at mid-session but slipped back when Wall Street opened slowly, to close a net 24 up at 1194p. Turnover of 5.1m shares was significantly above recent levels.

ICI, finally 6 better at 1139p, had similar fortune, as did BAT Industries, 18 higher at 552p. However, less interest was shown in Unilever which had featured the sector last week, and at a close of 537p the shares were only 2p higher.

The news that March Brent crude prices had dipped below $16 a barrel did little to stifle another firm showing by oil and gas shares. Both classes of BP moved up ahead of today's egm at which the company is not expected to encounter any major opposition to the buy-back of some £2.4bn worth of BP stock purchased by the KIO after the 1987 Government share sale. BP old edged up 5 to 277p on turnover of 11m while the new were 4½ harder at 173p on 8.4m.

Shell gave a powerful performance, closing 10 higher at 376p on turnover of 6.8m. British Gas - "Lots of small investors piling into these" said one trader - moved up 4¼ to 179¼p on turnover of 13m with the market awaiting a possible move on Texas Eastern. Burmah jumped 6 to 553p in good volumes.

Burton Group was heavily traded among mixed Stores, falling 3 to 202p as a busy 10m shares changed hands. A press report suggesting the price was top-heavy did some of the damage, said dealers, while the stores team at Swiss Bank Stockbroking has advised clients to take profits in the stock following the recent good run.

W H Smith were keenly bought as the "A" shares closed 13 better at 279p. Interim results are due on Friday, and the market range is from £30m to £34m.

Those which went against the wider market trend included Dixons, down 5 at 155p, Next, down 2 at 150p, and Ward White, 8 easier at 246p. Etam managed a 2-point rise to 248p in the face of a downgrade from BZW, which has reduced its profits forecast for this year to £16m and changed its recommendation to a "sell".

British Telecom leapt to 293½p before closing a net 9 higher at 290p on turnover of 15m with dealers reporting heavy buying of the stock - by institutions and small investors- throughout the session. "The FT-SE weighting towards the biggest issues, of which Telecom is obviously one, means that performance funds cannot afford to be underweight in this stock, as with other major alphas," said one analyst.

Amstrad, on the other hand, were caught in a two-way pull, with worries about delays in manufacturing the satellite dishes for Sky offset by the latest strong performance by equities. Ferranti also underperformed the market, dipping 2 to 105p on turnover of 6.3m.

Food stocks went firmer with the market trend as institutional demand and news of widespread upratings by securities house BZW buoyed both manufacturers and retailers.

Gateway, the subject of intense speculation in recent weeks that a takeover or management buy-out was imminent, dragged its feet a little on the lack of fresh news. Mr David Shriver of County NatWest WoodMac said stories of a buy-out or bid should be treated sceptically, and his advice to clients is to sell on strength. The shares closed 3 better at 179p.

County has taken a more positive line on Iceland Frozen Foods, a strong performer at 317p, up a net 11 on the session.

Hillsdown were a good market, adding 7½ at 270½p on a strong tip in the morning press, while others on the way up included Northern Foods, 7½ better at 309½p, A B Foods, 6 firmer at 329p, and Kwik Save, up 6 at 401p. There was a "strong possibility" that Kwik Save will face a 450p-a-share bid from Hong Kong group Dairy Farm when its standstill agreement runs out in April, said one broking house.

Brewers closed sharply higher as the sector continued to attract investors ahead of the publication of the MMC investigation into the tied house system

In an exhaustive circular on the UK beer market and the MMC report, securities house Kleinwort Benson suggests that the "tie" between brewers and their pubs will not be broken by order of the MMC. The best performers in the sector were Bass, up 23 at 916p, Allied Lyons, up 16 at 489p, and Boddingtons, up 10 at 194p. Scottish & Newcastle, with a series of presentations planned this week, gained 10 at 424p.

Ladbroke rose 9 to 499p on turnover of over 4m shares.

Poddington, manufacturers of children's foods and products, were placed in the market at 20p by brokers Jacobson Townsley, and enjoyed a good debut as the shares closed at 31p.

Activity in traded options reached its highest total since the Crash, at 98,949 contracts, and that in the FT-SE 100 index contract an all-time record of 31,429.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	3,200	492	+11	Grand Met.	8,000	586	+7½	P & O	3,775	634	+10	Tarmac	4,800	281½	+7½
Boots	4,100	255	+2	GUS A	875	1080	+25	Pilkington	3,000	261	+5	Tate & Lyle	1,300	738	-4
British Airways	8,600	194	+3	GRE	2,500	208	+2	Plessey	2,500	242	-3½	Tesco	7,000	158	+1
Brit. Aerospace	5,600	529	+12	GKN	2,200	351½	+4½	Polly Peck	1,400	310	-3	THORN EMI	2,385	719	+13
Brit & Comm.	5,300	239	-1	Guinness	4,400	308	+10	Prudential	7,700	178	+6	Trafalgar House	3,200	336½	+9½
British Gas	13,000	179½	+4½	Hammerson "A"	3,200	888	+8	Racal	7,200	329	+4	Trusthouse Forte	7,700	277½	+1½
British Land	1,400	373	+6	Hanson	17,992	177	+4	Rank Org.	1,600	829	+10	Ultramar	11,000	310	+2
BP	30,900	277	+5	Harrisons & Cros.	682	783	+8	RMC	522	588	+1	Unilever	3,200	537	+2
British Steel	68,970	76½	+1	Hawker Siddeley	2,200	645	+21	RTZ	2,700	397½	+7½	United Biscuits	3,500	319½	+3½
British Telecom	15,000	290	+9	Hillsdown Hldgs	10,905	270½	+7½	Reckitt & Colman	770	1034	+32	Utd. Newspapers	3,100	442	+1
Burmah Oil	2,400	553	+6	IMI	1,300	228	+7	Redland	1,200	436		Wellcome	1,600	475	+18
Burton	10,000	202	-3	Imp. Chem.	4,905	1139	+6	Reed International	4,100	428	+12	Whitbread "A"	3,200	339	+18
Cable & Wireless	2,800	427	+7	Inchcape	4,100	236	-6	Reuters "B"	1,700	639	+1	Williams Hldgs.	4,100	344½	+9
Cadbury Schweppes	2,200	366		Jaguar	2,100	306	-3	STC	5,200	498	+6	Wimpey	1,400	219	-8½
Coats Viyella	6,000	162½	+8	Ladbroke	4,050	499	+9	Rolls Royce	13,005	166	+7	Woolworth Hldgs.	4,300	286	+2

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (265). BRITISH FUNDS (1) Treas. 2½pc '24, AMERICANS (10) CANADIANS (3) BANKS (1) BREWERS (3) [illegible] CHEMICALS [illegible] ELECTRICALS (14) ENGINEERING (18) FOODS (4) HOTELS (1) Friendly Hotels, INDUSTRIALS (52) AGA AB, AIM, Allied Part., BET, BTR Nylex, Barry Wehmiller, Beazer, Chieftain, Christies Int., Cooper (A.), Cosalt, Dewsongroup, EIS, Electrolux, Emhart, Eurocopy, Excalibur Jewellery, Fenner (J.H.), Gestetner, Grafton, Grampian Hdgs., Hanson 5.75pc Cv. Pf., Hawthorn Leslie, Hutch Whamp., Jardine Hdg., Jardine Strategic, Kershaw (A.), Lep, Lilleshall, Marling Ind., Melville, Nestor-BNA, PCT, Pacific Dunlop, Porter Chadburn, RCO, Radiant Metal, Record Hdgs., Scapa, Security Servs., Serco, Siebe, Silentnight, Sinclair (Wm.), Smiths Inds., Sterling Inds., Swire Pac 'A', Transport Dev., Unilever N/V, Whatman Reeve, Wilkes (J.), Wolseley, INSURANCE (7) Amer. Int'l. Grp., LEISURE (16) MOTORS (1) Gen. Motors, NEWSPAPERS (4) PAPERS (3) Bemrose, UK Paper, WPP, PROPERTY (7) SHIPPING (3) C.S.L., Mersey Dock Units, Tiphook, TEXTILES (2) Lister, Palma, TRUSTS (112) OILS (8) Norsk Hydro, Royal Dutch, Silkolene, OVERSEAS TRADERS (2) Antofagasta, Sime Darby, MINES (4) THIRD MARKET (1) Takare.

NEW LOWS (13). CANADIANS (1) Nthl. Business Systems, CHEMICALS (1) Cambridge Isotope, ELECTRICALS (3) Alphameric, Appl'd. H'graphics., Personal Comps., FOODS (2) Budgen, Ptarmigan, INDUSTRIALS (2) Harding, Rolfe & Nolan, LEISURE (1) A.& M. Grp. 10pc Cv. Uns. 1998, MINES (2) Durban Deep, Greenwich Res., THIRD MARKET (1) Comac.

APPOINTMENTS

Chairman of Sharpe and Fisher

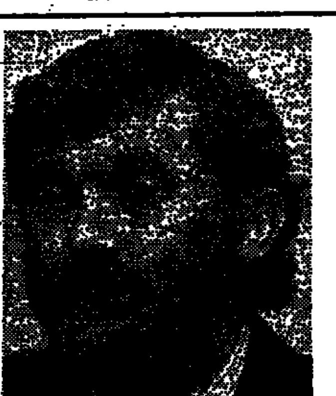
■ On February 1 Mr Charles Fisher will succeed Mr Roy Stringer as chairman of the board of SHARPE AND FISHER. Mr Fisher will retain his responsibilities as group chief executive. Mr Henry Shouler, a non-executive director of the Sharpe and Fisher Group, will be appointed a non-executive deputy chairman from the same date. Mr Shouler was formerly chief executive of Oldacre Holdings.

■ Mr Keith Orrell-Jones has become a non-executive director of CONSOLIDATED GOLD FIELDS. He is chief executive of the ARC Group, Gold Fields' wholly-owned crushed stone business in the UK and the US.

■ Mr Michael R. Field has become finance director of WILSHAW.

■ JAMES CROSBY GROUP has appointed Mr Malcolm Powell, a main board director, as managing director of Crosby Homes, a wholly-owned subsidiary.

■ OCEAN TRANSPORT & TRADING has made Mr Jeremy Bryan technical director of its environmental management businesses. He joins from Thames Water where he was responsible for project management and the overseas consultancy dealing with pollution control.



Following the retirement of Mr Granville Davis from the board of ALEXANDRA WORKWEAR, Mr John Prior (above) has additionally been appointed chairman. Mr Prior was appointed to the board in 1978, became managing director in 1983 and chief executive in 1987.

■ Mr David Grenier has been appointed to the board of FIXED INCOME RESEARCH MANAGEMENT as a non-executive director. He is an executive director of Taylor Young Investment Management.

■ HOGG ROBINSON & GARDINER MOUNTAIN INSURANCE BROKERS has made the following appointments in its marine division. Mr D.G.T. Adams, Mr A.R. McKelvey, Mr A.C. Pitt and Mr P.J. Walpole have been appointed executive directors. Mr D.D. Cole, Mr A.J.H. Dunn, Mr J.P.C. Stark, Mr P.C. Teuten, Mr E.A.K. Turbett, Mr K.V. White and Mr G. Prior have been made directors.

■ Mr Clive D. Scott has been appointed an executive director of HELICAL BAR. His special responsibilities will remain the acquisition of strategic investments and commercial portfolios to expand the group's asset base.

■ Mr E.P. Dablin has been appointed to the board of the LONDON METAL EXCHANGE.

■ Mr Michael Wacek has joined ST. PAUL MANAGEMENT as actuary.

■ Mr Michael Cooper-Mitchell, managing director of Sedgwick UK (National) northern region, has been appointed deputy chairman of SEDGWICK UK (NATIONAL).

■ FIRST MORTGAGE SECURITIES has appointed Mr Christopher May as finance director. He joins First Mortgage Securities after a period as an independant financial consultant.

■ Polly Peck-owned housewares company RUSSELL HOBBS TOWER has appointed Mr Edward Cory as managing director. He joins from European Cellars, a holding company half-owned by Allied-Lyons and Whitbread, where he was managing director.

■ Following the forthcoming retirement of Mr Robert Minkin, Mr David Hamilton will become group design director of WEDGWOOD GROUP. Mr Hamilton, professor of ceramics at the Royal College of Art, will take up his post on July 1.

■ JOHN MOWLEM AND CO has appointed Mr Lister A. Fielding as managing director of its hire services subsidiary HSS Hire Group. He was previously managing director of Promptia-Youngs.

Correction

Changes at J. Lyons

■ Sir Alex Alexander steps down as chairman and chief executive of J. Lyons on March 5. Mr Richard Martin, vice chairman and chief executive of Allied-Lyons, then takes on the additional role of chairman of J. Lyons, succeeding Sir Alex.

Sir Alex remains a director and deputy chairman of Allied-Lyons until July 6, when he retires from the board. He will remain an executive of Allied-Lyons until July 31. In March he will become a part-time executive of Shearson Lehman Hutton.

We apologise for any confusion caused by our recent report.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	45.79	46.20	49.14	+0.15	5.58
Gilts & Fixed Int	6	114.2	114.2xd	121.3	+0.2	8.24
High Inc Equity	6	125.2	127.5xd	136.3	+2.7	4.37
Worldwide Bond	6	189.3	189.3	200.7	+0.4	4.85
Capital Growth						
American Growth	6	154.3	156.3xd	166.2	+1.8	1.31
Asian Pacific	6	75.79	76.93xd	82.27	+1.19	1.31
Assets & Earnings	6	148.9	152.98	162.6	+3.5	2.45
Capital Reserve Acc	0	82.79	82.79	82.95	+0.16	4.82
Comdty & Energy	6	97.45	100.3	106.7	+3.9	0.00
1992 Enterprise	6	51.16	52.11	55.43	+1.11	3.25
European Capital	6	76.77	77.24	82.17	+0.03	0.91
General	6	167.4	170.5	181.3	+4.3	2.48
Japan	6	101.7	103.5	110.0	-0.3	0.00
Mastertrust	6	77.24	77.24	82.61	+0.95	1.79
UK Growth Acc	6	185.6	193.9	206.2	+6.5	1.29
UK Growth Dist	6	124.6	130.1	138.4	+4.4	1.92
US Emerging Cos	6	46.80	48.38	51.46	+0.53	0.00
Income & Growth	6	276.9	282.8	300.8	+5.5	3.16
Ethical	6	45.84	46.94	49.93	+1.36	2.50

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price which the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♠ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wardley Unit Tst Mngrs Ltd (0900)H						
99, Bishopsgate, London, EC2P 2LA. 01-374 0661						
American ♦	5¼	59.51	59.51	63.64	+0.31	1.8
Intl Growth ♦	5¼	70.75	70.75	75.66	+0.71	0.4
Income ♦	5¼	124.6	126.6	135.5	+2.20	5.5
Japan Growth ♦	5¼	203.0	206.2	220.6	+0.10	0.1
Pacific Perf ♦	5¼	127.6	127.6	136.4	+0.70	0.5
Small Co's ♦	5¼	145.7	146.3	156.4	+2.00	1.6
Technology ♦	5¼	30.18	30.18	32.27	[illegible]	0.1
Australia ♦	5¼	63.09	63.09xd	67.47	+0.25	2.7
UK Trust ♦	5¼	175.6	175.6	187.8	+2.90	2.6
European Growth ♦	5¼	53.09	53.64	57.37	-0.17	0.3
Hong Kong ♦	5¼	35.12	35.42	37.89	+1.65	1.5
Intl Income ♦	5¼	20.30	20.30xd	21.71	+0.27	8.0
5 Year & Mkt Gth ♦	5¼	24.93	24.93	26.66	+0.75	0.3
British Winners ♦	5¼	27.16	27.39	29.30	+0.44	2.4
Waverley Unit Tst Mngmt Ltd (1900)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	17.38	17.38	18.48	+0.04	0.00
Pacific Basin	5	25.29	25.29	26.90	+0.31	0.60
Can Balncd Gwth ♦	5	45.96	45.96	48.89	+0.37	0.31
Ginnie Mae ♦	4	0.9522	0.9522	0.9918	[illegible]	8.92
Penny Share	5¼	27.91	27.91	29.69	+0.45	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1. 01-407 4404						
Wellington Income	5¼	120.1	121.7	129.5	+1.4	4.80
Wellington Growth	5¼	184.0	185.0	196.8	+1.4	1.40
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	105.95	109.88	114.45	+2.89	-
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger $ F	1¼	53.82	53.82	54.51	-0.07	0.00
Short Dtd Gilt ♦F	1¼	80.64	80.64	81.66	+0.06	6.77
U.S. Govt Bond ♦F	[illegible]	.5477	.5477	.5481	[illegible]	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust.Friars W'wide	5	160.1	161.4xd	171.71	-	3.07
Windsor Trust Mngrs Ltd (1000)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity ♦	5	60.51	62.95	66.97	(z)	6.06
European ♦	5	55.00	55.56xd	59.11	(z)	0.51
Far Eastern ♦	5	54.74	54.74	58.06	(z)	1.26
Growth ♦	5	83.19	87.02	92.58	(z)	1.82
Income ♦	5	80.71	82.52	87.79	(z)	3.89
Property Share ♦	5	51.39	52.36xd	55.74	(z)	1.40
Smaller Co's ♦	5	55.52	58.29	62.01	(z)	1.79

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc(z)	124.9	131.4	+3.2	-
Equity Fd Acc(z)	979.8	1031.3	+19.6	-
European Fd Acc(z)	207.4	218.2	+0.1	-
Intl Fxd Int.Fd Acc(z)	199.1	209.5	-0.1	-
Fixed Int Acc(z)	340.7	358.6	+0.5	-
Gtd Money Fd Acc(z)	228.0	240.0	+0.2	-
High Income Fd Acc(z)	110.0	115.8	+2.2	-
Intl Man Fd Acc(z)	375.8	395.5	+2.3	-
Japan Fd(z)	299.2	314.8	-0.8	-
UK Smlr Co's Fd Acc(z)	108.1	113.7	+2.1	-
Global Metro	98.3	103.4	+0.4	-
UK Metro	103.0	108.4	+1.5	-
Nth American Fd Acc(z)	172.1	181.1	+2.8	-
Pac Basin Fd Acc(z)	137.4	144.6	+1.8	-
Prop Fd Acc(z)	310.9	327.2	-1.6	-
Multiple Inv Acc(z)	660.9	695.6	+7.9	-
Pension Funds				
Brit Blue Chip Acc(z)	135.8	142.9	+4.9	-
Eq Pen Fd Acc(z)	1882.7	1981.8	+50.6	-
Euro Fd Acc(z)	258.3	271.9	+0.2	-
Fixed Int. Acc (z)	688.1	724.3	+1.3	-
Gt Money Pn Acc(z)	403.7	424.9	+0.4	-
High Interest	135.1	142.2	+0.1	-
High Income Fd Acc(z)	114.5	120.5	+3.2	-
Intl Man Fd(z)	556.2	585.4	+4.6	-
Jap Pen Fd Acc(z)	426.6	449.0	-1.5	-
UK Smlr Co's Fd Acc(z)	112.4	118.3	+3.1	-
Global Metro	100.1	105.4	+0.6	-
UK Metro	107.0	112.6	+2.2	-
N Am Pn Fd Acc(z)	199.8	210.2	+3.2	-
Pac Basin Fd Acc(z)	156.3	164.5	+2.9	-
Property(z)	522.2	549.6	-3.5	-
Mtple Inv Pens Acc(z)	1309.4	1378.3	+27.2	-
Broker Funds				
Prof. Pen. Fd.	92.0	96.7	+1.1	-
YRA Strategy	114.5	120.5	+1.0	-
Langham Dollar ($)	144.7	152.3	+1.7	-
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	254.0	267.4	+0.2	-
Equity Acc	803.7	846.0	+14.4	-
Property Acc	478.7	503.9	+0.2	-
Far East Acc	190.4	200.5	+0.9	-
European Acc	20.1	21.2	-	-
Managed Acc	636.5	670.1	+9.8	-
Managed Cap	363.0	382.2	+5.5	-
O'seas Earnings Acc	536.1	564.4	+10.8	-
Gilt Edged Acc	314.2	330.8	+1.6	-
American Equity Acc	391.3	411.9	+3.7	-
American Man Acc	182.7	192.4	+1.5	-
American Prop Acc	133.2	140.3	-0.1	-

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assr. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Sun Life Unit Assurance Ltd—Contd.

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

Knight Williams & Company Ltd

Lamont & Partners Plc

M & F Financial Management Plc

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

The Normiester Group

O'Halloran & Co(Consultants)

PBR Fund Management Ltd

The Pardoster Group

Rushbrook Financial Management Ltd

Shaw (Albert E.) & Co

Sittain Fund Managers Limited

Tailored Investment Mngt. Ltd

Torry Law & Co

J. D. Ward Financial Services Ltd

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Atticus Financial Services Ltd

Blackstone Franks Plc

Bryan Walls & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Clifton Financial Mgmt Ltd

Drummond Moore Plc

First Financial Services PLC

Gartmore Fund Managers Ltd

Hinton Hill (I. & P) Ltd

Hornbuckle Financial Services (CP) Ltd

Investment Portfolio Services Ltd

Johnson Fry Financial Services Ltd

Prudential Intl Financial Services Ltd

Quilter International Management Ltd

Rothschild Asset Management

Royal Bank of Canada Funds

Touche Remnant (Guernsey) Limited

JERSEY AUTHORISED

Capital House Fund Mngrs. (C.I.) Ltd

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Foreign & Colonial Mngt (Jersey) Ltd

John Govett (Channel Islands) Ltd

Lloyds Bank (CI) U/T Mgrs.

MIM Britannia International Limited

Royal Trust Jsy Fd Mngt Ltd

Save & Prosper International

TSB Trust Funds (CI)

Tyndall International (Jersey) Ltd

Warburg Investment Mngt Jersey Ltd

IoM AUTHORISED

Allied Dunbar International Fund Mgrs.

Asset Global Funds Ltd

Barclays Intl Funds

Equity & Law International Fund Mgs Ltd

Gartmore Fund Managers (IoM)

Heilerup Scandinavian Fund Ltd

Mercury Fund Managers Isle of Man Ltd

Refuge Overseas

Tyndall International (Isle of Man) Ltd

BERMUDA AUTHORISED

GT Management Plc

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star International

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fleeco International Ltd

Hansard International Ltd.

Isle of Man Assurance Ltd

NM Schroder Life Assurance Int Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
101	98	Treas 9½pc Cnv 1989	99	.....	9.56	12.17
98	95	Treas 3pc 1989	98		3.05	9.29
102	98	Treas 10½pc 1989	99		10.57	12.24
102	98	Exch 10pc 1989	98		10.10	12.21
103	98	Exch 11pc 1989	99	.....	10.97	12.01
97	94	Treas 5pc 1986-89	96		5.18	10.12
104	98	Exch 10¼pcCv '89	99	.....	10.31	11.06
107½	101	Treas 13pc 1990‡‡	101		12.79	11.14
104	99	Exch 11pc 1990‡‡	99		11.02	11.21
107	100	Exch. 12¼pc 1990	101		12.34	11.25
93	90	Treas. 3pc 1990	92		3.24	9.43
99	95	Treas 8¼pc 1987-90‡‡	96	.....	8.55	11.06
102	95	Treas. 8pc Cv 1990 ‡‡	97		8.17	9.62
103	97	Treas. 10pcCv 1990	98		10.15	10.93
91	87	Exch 2½pc 1990	89		2.80	9.08
107	100	Treas 11¾pc 1991	101		11.57	10.85
95	89	Funding 5¾pc '87-91‡‡	91		6.29	10.23
90	86	Treas. 3pc 1991	87		3.41	9.00
105	97	Treas 10pc Cv '91 ‡‡	99		10.04	10.20
107	98	Exch. 11pc 1991	101		10.90	10.59
98	91	Treas. 8pc 1991	93		8.52	10.54
113	103	Treas 12¾pc 1992‡‡	106		12.01	10.30
104	96	Treas 10pc 1992	99		10.08	10.34
98	91	Treas. 8pc 1992 ‡‡	93		8.54	10.36
106	98	Treas 10½pc Cv 1992‡‡	100		10.45	10.32
86	81	Treas. 3pc 1992	84		3.57	8.55
112	102	Exch. 12¼pc '92	105		11.62	10.40
117	106	Exch 13½pc 1992	109		12.35	10.34
97	91	Treas 8¼pc 1993	94		8.79	10.13
105	96	Treas 10pc 1993‡‡	99		10.02	10.05
115	105	Treas 12½pc 1993‡‡	108		11.54	10.13
93	85	Funding 6pc 1993‡‡	86		6.91	9.57
121	110	Treas 13¾pc 1993‡‡	113		12.13	10.66

Five to Fifteen Years

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
101	90	Treas. 8½pc 1994	94		9.05	10.08
94	90	Treas 8½pc 1994 A	92	.....	9.05	10.08
125	113	Treas 14½pc 1994‡‡	117		12.37	10.08
120	109	Exch 13½pc 1994	113		11.94	10.21
105	96	Treas. 10pc Ln. 1994‡‡	100		9.99	9.97
116	106	Exch. 12½pc 1994	109		11.40	10.19
101	92	Treas 9pc 1994‡‡	96		9.37	9.91
114	104	Treas 12pc 1995	108		11.11	10.17
83	77	Exch 3pc Gas 90-95	77	.....	3.76	7.03
106	97	Exch. 10¼pc 1995	101		10.15	10.04
120	109	Treas 12¾pc 1995‡‡	113		11.28	10.05
126	114	Treas. 14pc '96	118		11.78	10.16
101	92	Treas. 9pc 1992-96‡‡	96		9.33	9.69
133	122	Treas 15¼pc 1996‡‡	126		12.10	10.09
123	112	Exch 13¼pc 1996‡‡	116		11.38	10.02
105	96	Conversion 10pc 1996	100		9.95	9.89
124	113	Treas 13¼pc 1997‡‡	117		11.27	10.00
108	99	Exch 10½pc 1997	103		10.18	9.92
98	90	Treas 8¾pc 1997‡‡	94		9.26	9.71
134	123	Exch 15pc 1997	127		11.76	10.15
104	95	Exch. 9¾pc 1998	99		9.79	9.81
87	80	Treas 6¾pc 1995-98‡‡	83		8.05	9.39
140	129	Treas. 15½pc '98‡‡	133		11.63	10.04
118	108	Exch. 12pc 1998	113		10.63	9.91
103	95	Treas 9½pc 1999‡‡	99		9.53	9.54
120	110	Exch. 12¼pc 1999	114		10.67	9.90
109	100	Treas. 10½pc 1999	104		10.08	9.79
107	99	Conversion 10¼pc 1999	103		9.95	9.78
100	86	Treas. 8½pc Ln 2000‡‡	93		9.14	9.53
99	92	Conversion 9pc 2000‡‡	96		9.35	9.55
126	116	Treas. 13pc 2000	121		10.75	9.91
106	98	Treas 10pc 2001	102		9.76	9.64
129	119	Treas. 14pc '98-01	123		11.36	10.09
104	97	Conversion 9¾pc 2001	101		9.66	9.62
118	108	Exch. 12pc '99-02	113		10.64	9.95
107	99	Conversion 10pc 2002	103		9.68	9.56
105	97	Treas 9¾pc 2002	101		9.60	9.54
99	92	Exch. 9pc 2002	96		9.35	9.48
131	121	Treas. 13¾pc 2000-03	125		10.95	9.97
108	100	Treas 10pc 2003	104		9.59	9.44

Over Fifteen Years

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
117	108	Treas. 11½pc 2001-04	112		10.26	9.78
108	100	Treas. 10pc 2004	105		9.50	9.34

Undated

BRITISH FUNDS—Contd

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
44	41	Consols 4pc	44		8.96	−
40	37	War Loan 3½pc‡‡	39		8.78	−
63	48	Conv 3½pc '61 Aft	62		5.57	−
33	30	Treas. 3pc '66 Aft	33		9.09	−
28	26	Consols 2½pc	27		8.94	−
29	26	Treas. 2½pc	27		8.94	−

Index-Linked

1988/89 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
125	117	Treas 2pc IL '90(94.6)	125		0.27	2.99
105	99	Do. 2pc '92‡‡(97.8)	104	.....	2.66	3.52
96	92	Do. 2 '94 (102.9)	96	.....	3.13	3.63
142	127	Do. 2pc '96(67.9)	140	.....	3.33	3.70
121	103	Do 2½pc '01(78.3)	120	.....	3.44	3.69
118	101	Do. 2½pc '03(78.8)	118		3.49	3.71
120	102	Do. 2pc '06(69.5)	120		3.55	3.72
113	95	Do. 2½pc '09(78.8)	112		3.54	3.71
117	99	Do. 2½pc '11(74.6)	117		3.53	3.69
98	82	Do. 2½pc '13(89.2)	97		3.51	3.66
105	88	Do. 2½pc '16(81.6)	105		3.49	3.62
103	87	Do. 2½pc '20(83.0)	103	.....	3.43	3.56
87	73	Do. 2½pc '24‡‡(97.7)	87	.....	3.89	3.50

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1988:106.2 and for December 1988:110.3

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988/89 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	46	.....	3.50	18.75
45	35	Do. 6pc 28 Stb Ass.	46	.....	3	17.50
45	35	Do 4pc Mixed Ass.	46	.....	2	15.00
80	63	Hung. '24 Ass.	80	.....	2.75	13.57
140	128	Hydro Quebec 15pc 2011	137		15.00	10.57
131	130	Iceland 14½pc Ln 2016	126		14.50	11.31
101	97	Ireland 9¾pc '91-96	97	.....	9.75	10.25

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
19	14⅛	USX $1	18½	+1¼	$1.40	–	4.2
154p	44p	♦Unilab	148p		–	–	–
25⅞	17⅝	Utd. Technologies	25⅞	+⅝	$1.60	–	3.5
163p	27p	♦U Ultech Inc	158p		–	–	–
35	26¾	US West‡	35	+⅞	$3.52	–	5.6
24⅞	16¾	Waste Management $1	24⅞	+½	48c	–	1.1
16⅞	12⅝	Whirlpool $1	14⅝		$1.10	–	4.2
20⅝	15⅞	Whitman Corp	19⅛		96c	–	2.6
33⅞	18¼	♦Woolworth $3½	31¼	+1¼	$1.64	–	2.9

CANADIANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	134p	♦ASM Gold Corp ‖	138p	+1	–	–	–
32p	4½p	♦Abbot Energy Corp	8½p	+3½	–	–	–
14¼	882p	♦Amer. Barrick Res	11½	+¼	–	–	–
10p	2½p	♦Amer. Lightwave ‖	2½p	–⅛	–	–	–
47c	7½p	♦Armeno	17½p	+¼	–	–	–
76p	24p	♦Asamitto Expln	24p	–4½	–	–	–
14½	10⅝	Bk. Montreal ‖	14½		$2.12	–	6.8
769p	514p	Bk. Nova Scot. ‖	708p	+4	84c	–	5.4
18¼	15¼	BCE ‖	17¼	+⅛	$2.44	–	6.3
716p	527p	♦Bow Valley‖	678p	+22	♦40c	–	2.7
13⅞	10½	♦Brascan‖	13⅞	+¼	88c	–	2.9
328p	177p	♦Breakwater Res	228p	+3	10c	–	2.0
12½	801p	Can. Imp Bank‖	12½	+¼	$1.16	–	4.2
11½	841p	Can. Pacific ‖	11½	+⅛	76c	–	3.0

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed [illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ♥	73	+1
Craig & Rose £1 ♥	710	.....
Finlay Pkg 5p ♥	88	+2
Holt (Jos) 25p ♥	1230	-3

IRISH

Cap. 8½% Ln. 1992	£99½	.....
9pc Cap Ln. 1996	£101½	.....
Fin. 13% 97/02	£122½	.....
Arnotts	400	+5
Carrol (P.J.) ♥	154	-1
Hall (R. & H.)	160	.....
Helton Hldgs. ♥	70	+1
Irish Ropes	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	99
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42
Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54
Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5
Shell	85
Ultramar	21
Mines	
Cons Gold	180
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen attracts attention

ATTENTION TURNED towards the dollar's value against the yen yesterday, after a period when the foreign exchanges have focused much more on the D-Mark than the Japanese currency. A rise above Y130.00, for the first time since October 12, produced comments from officials in Tokyo, but no action from the Bank of Japan. Mr Tatsuo Murayama, Japanese Finance Minister, said future exchange rate movements should be watched very carefully.

Dealers in Tokyo suggested Y132.00 and DM1.8800 as a short term targets. But after making an upward run in the Far East the dollar was pulled back by profit taking in Europe. Underlying sentiment suggested there was no reason to believe the trend towards a stronger dollar has been broken however.

Dealers said that recent co-ordinated intervention by central banks has not been strong enough to dissuade the market from buying dollars. It has simply provided an opportunity to purchase the dollar relatively cheaply, and then take profits as the currency appreciates.

Strong US economic growth is encouraging the view that US interest rates will remain high, while the dollar is also gaining background support *from optimism that President* Bush will reduce the US budget deficit.

The main indication on the economy this week is likely to come from Friday's January US employment data. The unemployment rate is expected to remain at 5.3 per cent, but a fall to 5.2 per cent is not ruled out. The rise in non-farm payrolls is put at around 255,000, according to economists, compared with 279,000 in December. Yesterday's figures on December US personal income and consumption were of relatively minor importance. Both rose 0.9 per cent, against forecasts of 0.7 per cent, underlying the strength of the economy.

After failing to sustain early gains the dollar closed near the day's lows, but held above support levels of Y129.30 and DM1.8580. It fell to DM1.8585 from DM1.8625; to SFr1.5790 from SFr1.5865; and to FFr6.3200 from FFr6.3350, but rose to Y129.20 from Y129.15. The dollar's index, on Bank of England figures, rose to 67.4 from 67.3.

The peak reached against the D-Mark was DM1.8700, where trading lacked the momentum to push higher, with central banks hovering in the background. There was no sign of central bank intervention on the open market, but the West German Bundesbank reminded the market of its presence by selling $14.4m at the Frankfurt fixing.

Better than expected UK trade figures last Friday provided a favourable base for sterling yesterday. The pound gained 35 points to $1.7625 and rose to Y228.00 from Y227.25.

In early London trading sterling was pulled higher against European currencies by a firm dollar, rising above DM3.2800, but as the dollar retreated, the pound fell back to finish unchanged at DM3.2750. Sterling eased to SFr2.7825 from SFr2.7900 and to FFr11.1400 from FFr11.1425. The pound's index rose 0.1 to 98.2.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.7236	+2.98	+0.87	±1.5344
Danish Krone	7.85212	8.10788	+3.26	+1.15	±1.5404
German D-Mark	2.05853	2.08825	+1.44	-0.67	±1.0981
French Franc	6.90403	7.09901	+2.82	+0.71	±1.3674
Dutch Guilder	2.31943	2.35740	+1.64	-0.47	±1.5012
Irish Punt	0.768411	0.780530	+1.58	-0.53	±1.6684
Italian Lira	*1483.58*	*1527.28*	*+2.95*	*+1.62*	*±4.0752*

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan.30	Latest	Previous Close
£ Spot	1.7620-1.7630	1.7595-1.7600
1 month	0.59-0.58pm	0.51-0.49pm
3 months	1.58-1.55pm	1.46-1.42pm
12 months	4.29-4.21pm	4.05-3.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.30	Previous
8.30 am	98.1	98.1
9.00 am	98.1	98.1
10.00 am	98.1	98.1
11.00 am	98.1	98.0
Noon	98.1	98.1
1.00 pm	98.2	98.1
2.00 pm	98.2	98.1
3.00 pm	98.2	98.1
4.00 pm	98.2	98.1

POUND SPOT- FORWARD AGAINST THE POUND

Jan.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7530 - 1.7630	1.7620 - 1.7630	0.51-0.48cpm	3.37	1.49-1.44pm	3.32
Canada	2.0755 - 2.0830	2.0805 - 2.0815	0.38-0.25cpm	1.82	0.88-0.68pm	1.50
Netherlands	3.69½ - 3.70½	3.69½ - 3.70½	2-1¾cpm	6.28	5¾-5⅝pm	6.15
Belgium	68.45 - 68.90	68.60 - 68.70	31-25cpm	4.89	86-76pm	4.72
Denmark	12.71¼ - 12.75¼	12.74¼ - 12.75¼	5-4¼orepm	4.29	14⅝-14pm	4.49
Ireland	1.2210 - 1.2285	1.2250 - 1.2260	0.53-0.48ppm	4.94	1.50-1.38pm	4.70
W. Germany	3.27¼ - 3.28½	3.27¼ - 3.27¾	1¾-1¾pfpm	6.64	5½-5¼pm	6.56
Portugal	267.10 - 269.35	268.50 - 269.50	50-12cpm	1.38	102-11pm	0.84
Spain	202.70 - 203.55	202.85 - 203.15	31-21cpm	1.54	51-39pm	0.89
Italy	2391¼ - 2402½	2396½ - 2397½	3-1lirepm	1.00	6-3pm	0.75
Norway	11.81¾ - 11.86¼	11.85¼ - 11.86¼	1¾-1¾orepm	1.52	4½-3¾pm	1.41
France	11.12¾ - 11.15¾	11.13½ - 11.14½	3⅝-3⅛cpm	3.77	10¼-10⅛pm	3.79
Sweden	11.12¾ - 11.16¼	11.15¼ - 11.16¼	2-1¾orepm	1.81	6¾-5¾pm	2.17
Japan	227½ - 228½	227½ - 228½	1⅝-1⅝ypm	6.25	4⅝-4½pm	7.89
Austria	23.01 - 23.14	23.03 - 23.06	12½-11½gropm	6.05	37-34½pm	6.17
Switzerland	2.77¾ - 2.79¼	2.77¾ - 2.78¾	1⅝-1½cpm	6.74	4¾-4⅝pm	6.74

Belgian rate is convertible francs. Financial franc 69.15-69.25. Six-month forward dollar 2.62-2.57cpm 12 months 4.20-4.10cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY RATES

Jan.30	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.744597	0.636066
U.S Dollar	6.50	1.31667	1.11725
Canadian $	11.54	1.56355	1.32338
Austrian Sch.	4	17.1417	14.6918
Belgian Franc	7.75	51.0407	43.7236
Danish Krone	7½	9.45435	8.10788
Deutsche Mark	4	2.43821	2.08825
Neth.Guilder	5.00	2.75184	2.35740
French Franc	9½	8.29173	7.09901
Italian Lira	12½	1784.21	1527.28

*All SDR rates are for Jan.27

EURO-CURRENCY INTEREST RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

Bullish tone runs out of steam

STERLING BASED financial futures finished towards the day's lows in Liffe trading yesterday as the euphoria generated by the lower than expected December trade deficit wore thin. Three-month short sterling for March delivery is now just five ticks above the level prior to the release of the trade data.

The sharp improvement on Friday was generally regarded as being overdone. In the main, investors and analysts alike are not looking for a reduction in bank base rates before the UK Budget in March, and Friday's closing level - which discounted a half point cut - proved to be unsustainable.

Consequently, the March contract fell from an opening level of 87.46 to close at 87.35, down from 87.43 on Friday. Volume yesterday of just over 13,000 lots traded is down from the levels touched towards the end of last week when values were pushed firmer. Accordingly, there are still a number of investors holding long positions, and short sterling may well suffer another shakeout to test support at 87.28.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

EUROPEAN OPTIONS EXCHANGE

MONEY MARKETS

Longer rates easier

LONGER TERM rates continued to show a softer bias in the London money market yesterday. The strength of sterling and a smaller than expected December trade deficit have reinforced the view that bank base rates will be reduced later this year, and one-year interbank money fell to 12¾-12⅝ per cent from 12⅞-12¾ per cent on Friday.

However, the short-term picture is not quite as clear, and three-month interbank money

UK clearing bank base lending rate 13 per cent from November 25

was barely changed at 13-12⅞ per cent from 13⅛-12⅞ per cent. Overnight money touched a high of 13¼ per cent before slipping back to around 12 per cent.

The Bank of England forecast a shortage of around £550m, with factors affecting the market, including bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £683m. Unwinding sale and repurchase agreements accounted for a further £556m, while banks brought forward balances £35m below target. These were partly offset by Exchequer transactions which added £250m and a fall in the note circulation of £450m.

The forecast was revised to a *shortage of around £600m, and* the Bank gave assistance in the morning of £254m through outright purchases of £10m of local authority bills and £45m of eligible bank bills in band 1, and in band 2 £101m of eligible bank bills. In band 3 it bought £77m and in band 4 £21m, all at unchanged rates.

Further assistance in the afternoon came to £93m and was made up of outright purchases of £19m of eligible bank bills in band 1, £25m in band 2, £22m in band 3, and £27m in band 4, all at unchanged rates. Late help came to £315m, making a total of £662m.

Short-term interest rates rose sharply in Frankfurt as funds were drained by pension payments. The shortage was exacerbated by the purchase of short-term Treasury bills on Friday by commercial banks. The decision to buy these bills (which assure a fixed yield of 4.5 per cent) reflected the sharp decline in call money, meaning that banks were able to secure a greater return by holding Treasury bills.

However, yesterday's pension payments and a last minute scramble to meet end of month minimum reserve requirements with the Bundesbank left banks holding low liquidity levels and a large holding in Government paper. As a result, the cost of short-term money rose to 5.6 p.c. from 4.4 p.c. on Friday.

FT LONDON INTERBANK FIXING

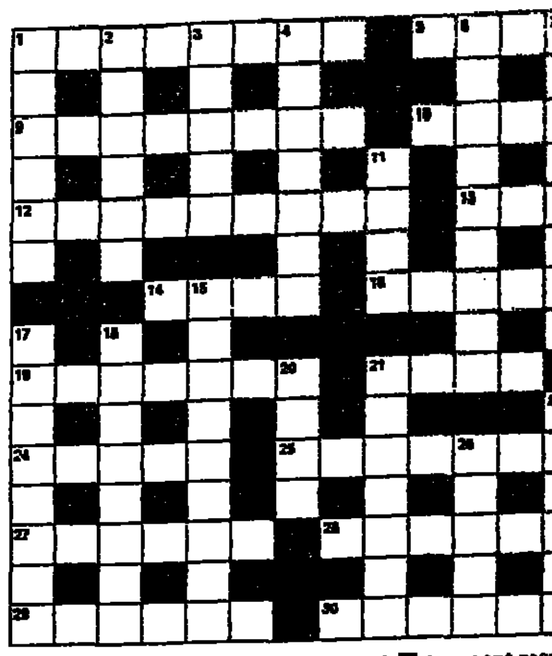
MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

CROSSWORD

No.6,848 Set by VIXEN



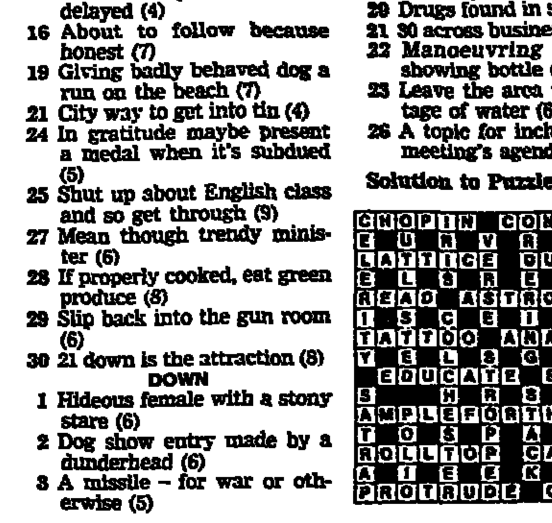
ACROSS

1 After a church service the elderly created friction (8)
5 Innate ability to make money (6)
9 Retiring assistant people harangue (8)
10 Set out about one, being flexible (6)
12 "She passed the salley gardens with little — feet." Yeats (Down by the Salley Gardens) (4-5)
13 Don't claim a view should be changed (5)
14 The sovereign had a meal delayed (4)
16 About to follow because honest (7)
19 Giving badly behaved dog a run on the beach (7)
21 City way to get into tin (4)
24 In gratitude maybe present a medal when it's subdued (5)
25 Shut up about English class and so get through (9)
27 Mean though trendy minister (6)
28 If properly cooked, eat green produce (8)
29 Slip back into the gun room (6)
30 21 down is the attraction (8)

DOWN

1 Hideous female with a stony stare (6)
2 Dog show entry made by a dunderhead (6)
3 A missile - for war or otherwise (5)
4 The current recession (3-4)
6 Law on lacemaker's quota (9)
7 At one time a collier inspector (8)
8 Found something to laugh at in rows about certain races (8)
11 Reports presenting all the main points (4)
15 A trip to get cake in plenty (9)
17 Covering many a worker and swimmer (8)
18 A helper in the theatre must be comparatively smart (8)
20 Drugs found in sap (4)
21 30 across business (7)
22 Manoeuvring RAF ace showing bottle (6)
23 Leave the area with a shortage of water (6)
26 A topic for inclusion in the meeting's agenda (5)

Solution to Puzzle No.6,847



JOTTER PAD

3pm prices January 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	17½	AAR	.44	1.6	19	311	27¾	26¾	27½	+ ⅞
10⅛	8⅝	ACM n	1.01	11.		119	9⅝	9½	9⅝	+ ⅛
12⅛	10⅛	ACMIn	1.26a	12.		259	10⅞	10⅛	10⅞	
10⅛	8½	ACM M	n.17e	1.8		92	9¼	9¼	9¼	+ ⅛
12⅛	10⅛	ACM Sc	1.26	12.		597	10⅛	10⅜	10⅜	− ⅛
10⅛	8½	ACMSp	n.75e	8.3		z274	9¼	9	9	
5⅛	2⅝	AMCA	.12e	3.2		15	3⅞	3⅝	3⅞	+ ⅛
6⅛	3⅝	AM Intl				616	5⅝	5⅛	5⅝	+ ⅜
23⅛	18⅛	AM Int pf	2	9.0		25	22⅛	21⅞	22⅛	+ ⅜
58¼	38¾	AMR			7	8262	58¼	57¼	58¼	
27	25	ANR pf	2.67	10.		5	26	26	26	+ ⅛
9⅛	5	ARX				180	5⅛	5⅛	5⅛	+ ⅛
49⅛	35¼	ASA	3a	7.5		322	39⅞	39⅞	39⅞	− ⅛
20⅛	13½	AVX	.24	1.3	13	177	18⅞	18⅝	18⅞	+ ⅛
52⅞	47⅞	AbtLab	1.20	2.4	15	3190	49⅛	48⅞	49	+ ⅛
20⅞	15⅞	Abitibi g	1			133	17½	17¼	17⅞	+ ⅛
13⅞	7½	AcmeC	.40	4.0		43	10	9⅞	10	+ ⅛
8⅞	5⅞	AcmeE	.32b	5.0	28	1	6⅜	6⅜	6⅜	− ⅛
29½	17¾	Acuson			24	1079	25¾	24¼	25¾	+ 1⅛
17	14½	AdaEx	1.83e	12.		102	15	14⅞	15	
18⅞	7⅛	AMD			33	2587	9⅛	9	9⅛	
8½	6⅜	Adobe				31	7	6⅞	6⅞	− ⅛
18⅛	16½	Adob pf	1.84	11.		1	16⅞	16⅞	16⅞	
21⅞	20	Adob pf	2.40	12.		18	20⅞	20⅜	20⅞	+ ⅛
9⅛	5⅞	Advest	.12	1.4	18	306	8½	8⅛	8½	+ ⅛
52½	39½	AetnLf	2.76	5.6	8	2985	49⅞	49¼	49⅞	
44½	24	AflPb s	.22	.5		1286	41⅞	40⅝	41⅛	+ ⅛
18⅞	13⅛	Ahmans	.88	4.9	9	882	18⅞	18	18	− ⅛
4⅝	1⅞	Aileen			21	20	3⅝	3⅝	3⅝	
53⅛	37⅞	AirPrd	1.20	2.6	12	1586	46⅞	46	46⅛	+ ⅛
23⅞	12⅞	AirbFrt	.60	2.5	23	166	u23⅞	23	23⅞	+ ½
18	10	Airgas			19	175	17⅞	17⅛	17⅛	− ⅛

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	17½	AAR	.44	1.6	19	311	27⅞	26¾	27½	+ ⅞
10⅛	8⅝	ACM n	1.01	11.		119	9⅝	9½	9⅝	+ ⅛
12⅛	10⅛	ACMIn	1.28a	12.		259	10⅞	10⅝	10⅞	
10⅛	8½	ACM M n	.17e	1.8		92	9¼	9⅛	9¼	+ ⅛
12⅛	10⅛	ACM Sc	1.26	12.		397	10⅝	10⅜	10⅜	– ⅛
10⅛	8½	ACMSp n	.75e	8.3		z274	9⅛	9	9	
5⅞	2⅝	AMCA	.12e	3.2		15	3⅝	3⅝	3⅝	+ ⅛
6⅞	3⅝	AM Intl				616	5⅝	5⅜	5⅜	+ ⅛
23⅛	18⅛	AM Int pf	2	9.0		26	22⅛	21⅞	22⅛	+ ⅛
58¼	39¾	AMR			7	8262	58¼	57¾	58¼	
27	25	ANR pf	2.67	10.		5	26	26	26	+ ⅛
9½	5	ARX				190	5⅝	5½	5⅝	+ ⅛
49⅞	35¼	ASA	3a	7.5		322	39⅞	39⅜	39⅞	– ⅛
20⅛	13⅛	AVX	.24	1.3	13	177	18⅞	18⅝	18⅞	+ ⅛
52⅛	42⅞	AbtLab	1.20	2.4	15	3190	49¼	48⅝	49	+ ⅛
20⅞	15⅞	Abitibi g	1			153	17½	17¼	17⅜	+ ⅛
19⅞	7½	AcmeC	.40	4.0		48	10	9⅞	10	+ ⅛
8⅞	5⅞	AcmeE	.32b	5.0	28	1	6⅜	6⅜	6⅜	– ⅛
29½	17⅞	Acuson			24	1079	25⅝	24⅞	25⅝	+1⅛
17	14½	AdaEx	1.82e	12.		102	15	14⅞	15	
18⅞	7⅛	AMD			83	2587	9⅛	9	9⅛	
8½	6⅛	Adobe				31	7	6⅞	6⅞	– ⅛
19½	16½	Adob pf	1.84	11.		1	16⅞	16⅞	16⅞	
21⅞	20	Adob pf	2.40	12.		16	20⅞	20⅝	20⅞	+ ⅛
9⅛	5⅞	Advest	.12	1.4	18	306	8½	8⅛	8½	+ ⅛
52½	39½	AetnLf	2.76	5.6	8	2985	49¼	49⅛	49⅛	
44½	24	AflPb s	.22	.5		1296	41⅛	40⅝	41⅛	+ ⅛
18⅞	13⅛	Ahmans	.88	4.9	9	892	18⅛	18	18	– ⅛
4⅞	1⅞	Aileen			21	20	3⅝	3⅝	3⅝	
53⅞	37⅞	AirPrd	1.20	2.6	12	1586	46⅞	46	46⅞	+ ⅛
23⅞	12⅞	AirbFrt	.60	2.5	23	168	u23⅞	23	23⅞	+ ½
18	10	Airgas			19	175	17⅞	17⅛	17⅛	– ⅛

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